India To-Day Series

THE ECONOMIC CONQUEST OF INDIA

OR

THE BRITISH EMPIRE LTD.

The World To-Day Series

The Constitutions of the World

(A Comparative Study)

BY

DR. B. PATTABHI SEETARAMAYYA.

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First Published in 1937.

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DR. B. PATTABHI SEETARAMAYYA

Hidustan Publishing Company, Ltd.,
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PUBLISHER'S NOTE.

In presenting this little volume to the public, we owe it to ourselves to state a few facts connected with this and other publications of ours. In starting our enterprise, as publishers, we received considerable encouragement from Sjt. Dr. B. Pattabhi Seetaramayya, the author of this work, and true to his promise, at the time he has given us at first his "Constitutions of the World" and now "The Economic Conquest of India" as free gifts. This is but to be expected from one who had presented his "History of the Congress" as a free, devotional offering, to the Great National organization and in adopting this course he has repeatedly expressed his repugnance to and disapproval of the policy of selling knowledge to the public, by way of demanding remuneration for, articles and books or negotiating royalties on the proceeds of their sale and the task of publication has therefore become all the easier for us and we must accordingly avail ourselves of this opportunity to express our gratitude to the author for having laid down this altruistic principle and acted up to it, in the sincere belief that Knowledge given to man must be made available to fellow men free like

air and water, and that authors should be the last persons...at any rate where they are not starving—to profit by publications.

The publication itself, we need hardly say, has the merit of originality both in the choice of the subject in its treatment. Few people have helped to popularise this aspect of Economic slavery...characterising India's subjection to Britain, so much as the learned author of this work. Ever since the year 1929 he has been delivering lectures through out India on this phase of the problem, much to the delight and enlightenment of large audiences; and now at the request of friends he has brought up to date his thoughts long ago committed to paper so that they may be available not merely to his hearers but to his readers as well.

Rajahmundry.
1—8—37.

The Hindustan Publishing Co., Ltd.

AUTHOR'S NOTE.

These pages are the outcome of an essay prepared in the year 1929. Hence the reference to that year in several places. The essay was to form a chapter of a book entitled 'The Congressman's manual' which I had urged the All India Congress Committee in 1929 to prepare and the preparation of which was entrusted by it to me. For reasons which we need not go into now, it was not published, although the twentyseven chapters comprising it were ready long ago. The section however dealing with "The Economic Conquest of India" constitutes by itself a good bit thereof and it has been brought up to date by the incorporation therein the recent developments in that Conquest. I am only too well aware of the inadequacy of treatment accorded to the subject but venture to give over the manuscripts to the publishers in the hope that the brochure may show the direction in which study circles may develop thought and gather facts and figures for a fuller treatment of the theme. I must not conceal the

fact that a collateral object of mine is to provide a second publication to the Hindustan Publishing Co., Rajahmundry whose patriotic services to the Country deserve to be supported by all public men who are anxious to spread knowledge amongst the people without making it a source of personal gain.

Masulipatam 20-7-37. — B. Pattabhi Seetaramayya.

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The Economic Conquest of India

or

The British Empire Ltd.

CHAPTER I.

BRITAIN'S ECONOMIC POLICY IN INDIA.

(A BIRD'S-EYE-VIEW)

The conquest of India by England is one of those mysterious chapters of the World's history, the beginnings of which it is not possible exactly to define. Nevertheless, we are able to trace the definite lines upon which that conquest has developed imperceptibly and even insidiously into the establishment of an Empire. The fore-runners of the English rulers of India had a design and a premeditated plan in regard to the conquest of this ancient country.* Hard-pressed for food and raiment in their own land, the English like any other European nation, French, Italian, Portugeese, Dutch and Spanish, came to India in search of fresh fields and pastures new and found themselves one day, as indeed they had planned to become, masters of the country. What exactly that day is we cannot tell, but certain broad

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* This may strike the reader as a novel view but it becomes irresistible if one reads 'Our Earliest attempts at Independence' by Bhai Paramanad, New Delhi.

landmarks may be traced by a careful study of the events of the past three centuries since Queen Elizabeth granted a Charter to the East India Company to trade in spices, when the Dutchmen put up the price of pepper from three to eight shillings per pound. Englishmen went about on a search for spices and having found them in India, exchanged them and other Indian commodities for their knives, scissors and broadcloth. It would then be seen that the English people who came as traders and established factories in India remained as rulers especially after the battle of Plassey in 1757 and the transference, a century later, of the ruler-ship of the country from the East India Company Ltd., to the Queen, while the short period of twenty years that intervened between this latter date and the assumption in 1877 of the title of the, 'Empress of India' by the Queen was a period of real consolidation of the Empire and too a period that paved the way for the establishment not only of a political but an economic Empire in India by Britain.

All industrial nations show how their national life centres round the pivot of economics. The problem to-day before the League of Nations is how to reorganise the Tariffs and Duties of the world in a manner that will suit

the world's needs without in any way encroaching upon the nation's prerogatives and privileges. But this is a growth of the 20th century and really a post-war development in the domain of commerce and industries, in which America is leading on the economic issue, eclipsing Europe and the political issue it had till now led on. We are not immediately concerned with this question. The policy of industrialism pursued by the Western countries for more than a century and half has now become so top-heavy that it presents problems of the most complex and baffling character, and it behoves us incidentally in the course of our study of the economic policy of Britain in India to take a warning in regard to the pitfalls awaiting us in India's march towards nationalism on the analogy of that of the western nations.

Although it is literally true that the rule of the East India Company, Ltd., had ended in the middle of the past century, the fact nevertheless remains incontestable that it gave place really to the rule of the British Empire Limited, or Unlimited. How the whole of the political organisation in India is merely a cover for the protection of the British mercantile interests in this country, is to be seen from the fact that though India seemingly is subject more to, yet

she really suffers less from the rule of Civilians, Magistrates and Judges, than of Bankers, Shipping Magnates, Railway Companies and various manufacturers and merchants, exporters and importers. We in India who are accustomed to the ideas of *Varnasramadharma* and associate particular vocations with particular classes or castes, may wonder how it is that the British administrator is a merchant, that a merchant is the Premier and that a Lord Chief Justice becomes the Managing Director of a trading firm. Yet that is so in England, for you witness the fact that Lord Reading who was a King's Counsel (K. C.) and the Lord Chief Justice of England, later the Viceroy of India, went back to England only to become the President of a South African Mining Syndicate, on £15,000 a year. Likewise, Lord Birkenhead who was a King's Counsel (K. C.) became Lord Chancellor and was raised to the Woolsack, later became Secretary of State for India and was finally engaged in some kind of trade and commerce, as Captain Benn contemptuously remarked, being made on the eve of his death the Head of The Greater London and Counties Trust, Ltd., on £15,000 a year. Of the 412 Members of the House of Lords, almost everyone is a Director of four or five Companies connected with trade in England or India, being on the Board of some Agricultural, Banking,

Brewing, or Building, Cement, Cables, Canals, Chemicals, Cotton, Coal, Docks, Electrical, Engineering, Entertainments, Finance, Food, Gas, Hotels, Insurance, Iron and Steel, Land, Motors, Newspapers, Oil, Paper, Plantations, Quarrying Gold and Diamond, Railways, Shipbuilding and Shipping, Trading, Telegraphs, Telephones, Textiles, Tramways, Trusts, Vehicles, and various miscellaneous Companies.* For instance, Lord Inchcape was the head of the P. & O. Steam Navigation Company which owns 5 Crores worth of Coastal shipping in India out of the 8 Crores of tonnage. Lord Goschen who was recently the Governor of Madras and acted as the Viceroy of India was the Director of an Insurance Company before coming out to India. Not only is almost every member of the House of Lords a Director of one or more trading or industrial firms but also many firms in India have one or more members of the House of Lords on their Directorate. Thus the Jute Mills of Calcutta, the Woollen Mills of Cawnpore, the Cotton Mills of Bombay, the Forest Industrial organizations, the various Railway Companies and the Shipping firms,—all these have influential directors from the statesmen and aristocracy of England. Off and on, we see some very interesting news in the Press which

* For details see Table at the end.

passes unnoticed. Lord Stanley, nephew of Sir George Stanley, a recent Governor of Madras and the then Chief Whip of the Conservative party, arrived in Bombay on the 27th December 1929. A press notice of the event ran as follows:—

"He will study the conditions of the cotton industry; himself a mill-owner, his visit at the present juncture is significant. Lord Stanley said, Lancashire was in a bad condition. He would also study the political conditions and get first-hand information regarding the Indian situation, from leaders of Indian public opinion."

It may not be widely known that Lord Stanley who is just now the Under-Secretary of State for India, is the eldest son of Lord Derby, the biggest Cotton-King of Lancashire. "By accepting a seat on the Board of the International sleeping car Company, Lord Lloyd," says a London message of 1929 has joined the numerous ex-administrators who have found influential commercial and industrial billets and the same Lord Lloyd has recently joined as a Director of Thomas Cook and Son. Here is another news item dated early in 1930:—

"Within the past few months Sir Austin Chamberlain, Minister for Foreign Affairs and Sir Laming Worthington Evans, Minister for War, joined the Board

of the Greater London and Counties' Trust, Limited, of which Lord Birkenhead is Chairman; Sir Phillip Cunliffe Lister, Minister, Board of Trade, has been invited to take up the Chairmanship of the recently formed Tin Producers Association. Lord Brentford (Sir Joynson Hicks, Minister for Home Affairs) has taken a seat on the Board of the Northern Assurance Company, while Sir Arthur Steel Maitland, Minister for Agriculture, is on the directorate of the United Dominions Trust, Limited and Sir Samuel Hoare, Minister for Air, is on the directorates of two Insurance concerns."

Here is an interesting message sent by Reuter's Agency.

LONDON
May 25.

A strong appeal to India was made by the Earl of Derby at the annual meeting of the Empire Cotton Growing Corporation at Manchester on 25th May, 1937.

Lord Derby said:—

"While we are doing our best to help her agricultural population by taking her cotton, they must do their best by increasing the amount of finished goods they take from this country. We must try to do our best to get goodwill between the countries, but goodwill has got to exist on both sides, not on only one.

"All sections of the Lancashire cotton trade are busier and the industry generally is in a sounder condition, but there is certainly no cause for complacency.

The recovery of Lancashire depended on an expansion in the volume of the export of cotton piecegoods, which last year was less than half of that a decade ago. Real recovery could only be said to have been made when there was a substantial improvement in that figure."

Lord Derby said that the Empire cotton crop for 1936 exceeded all records, totalling 752,800 bales as compared with 700,000 in 1935. He pointed out that Lancashire in 1935–36 had imported over 152,000 on the previous season. The appointment of Lord Derby's eldest son, Lord Stanley, as Under Secretary for India just at this juncture when the Indo-British Trade negotiations are going on, is not without significance, for apparently Mr. Butler, the former Under Secretary, was not considered sufficiently pro-Lancashire in regard to these negotiations.

"Again Sir Robert Horne, a former Chancellor of Exchequer is Chairman," runs another message, "of the Great Western Railway. He and Lord Cromer were directors of the P. & O. Company, while Mr. Runciman joined the Royal Mail Steam Packet Company. Sir Benjamin Robertson, I. C. S., Chief Commissioner of the Central Provinces (India), is a director of the Bengal Nagpur Railway. Reuters' Agency wired from New York on January 1, 1930 as follows:—

"America is following with sympathetic interest the developments in India. "India means more to us than the dusky fairy land of Swamis, Yogis, child marriages and widow burnings," remarks the Herald Tribune drawing attention to the expansion of the Indo-American Trade, and adding "We are interested in the maintenance of stability there and in that regard, the British have done and are doing a work of which they may well be proud." Speaking in the 1st week of March 1936 at the German Trade Federation, Mr. Nixon stated "India is the best potential market for the world's finished products."

Sir G. Schuster since leaving the Finance membership of India, joined the Westminister Bank, while his predecessor, Sir Basil Blackett, had joined the Midland Bank—as directors.

Sir James Grigg comes from the Midland Bank. Mr. Mc. Kenna, finance minister of the Asquith's Government, is a share holder of James & Shakespeare, a Pepper Co., and became the Chairman of the Midland Bank; and Pepper, we know, was the origin of the British Empire in India. It is interesting to note that while the Simon Commission was engaged in its own legitimate labours, the shrewder members of it, more interested probably in Trade than politics, were busy with a study of the Indian

market. "Punjab," thought Lord Burnham, a member of the Commission, "offered the best possibilities of Indo-British trade and he emphasised the scope for export into India of Cars, Lorries and Tractors." "The Indian market," said he, "must be studied not only by the agent, but by the Principals who should examine the problem in the broad light of national predilections and prejudices." We seldom know how many things — and they common place commodities—are being thrust on India. The imposition of tariff restrictions on potatoes imported into India from foreign countries was the chief request made to the Madras Government by the Nilgiri Agricultu-rists' Association very recently.

Mr. Eardley Norton gave at the Madras Congress of 1894 instances of commercial incapacity of the Secretary of State and his Council, such as the guaranteeing in respect of Calcutta the S. E. Railway, against Lord Can-nings' protest, interest at 5 p. c. and when it was practically bankrupt, buying it at ½ million sterling. Five per cent interest was guaranteed on a million sterling for the Madras Irrigation Company and as the work never paid its expenses, it was purchased for India at par. It bought at Rs. 1000/- per share, the shares of the Elphinston Land and Press Company

selling in the market at Rs. 339. A council of 12 members so incapable, at £ 1200 a year each, was rather dear.

How the Prince of Wales was mainly responsible for securing a £ 3,000,000 (3 million pound) order for Britain during his visit to Brazil in 1931, was told by the Earl of Dudley at the annual dinner of the Iron and Steel Federation, London. This, he said, was the result of the interview the Prince had with the authorities in Rio de Janeiro. It was a three million sterling contract for the British Industry for the Electrification of the Government Railways in Brazil. "During some of my travels, I ... in conjunction with Government have been a little instrumental in obtaining a few contracts" ... said the Prince somewhat modestly. The 'Prince' is the Duke of Windsor.

The Dunlop Rubber Tyre Co., with which Sir Eric A. Geddes, an ex-minister of England who has just passed away, was intimately connected, the Imperial Chemicals of which Lord Reading was the Chairman of the Board of Directors and the Burmah Shell get a rebate, it is said, on the customs duties paid on the goods imported by them from the non-votable grants of the Central Government. We may

add that Sir Eric A Geddes was also Chairman of the Imperial Airways.

The Imperial Chemicals have got a lease of the Saltpetre deposits in the Punjab for 40 years and this Company was started in England without India's knowledge but it was said on the floor of the Delhi Assembly in 1934, that it was started for India's good. Messrs. Brunner Mond and Co., predecessor of the Imperial Chemicals ... possessed a monopoly of importing Ammonia products (manurial).

We have some plain speaking from the English Press as to how *Loss of India spells bankruptcy to England.*

Here is an extract from the Daily Mail of February 1932.

"Lord Irwin's speech on Saturday has not cleared up the situation in India or removed the belief in certain quarters there that the British can be coaxed or intimidated into granting Dominion Home Rule at an early date. It is therefore vital once and for all to dispel so dangerous an illusion. "Politicians must for ever drop their gibberish about Dominion Home Rule for the Eastern Empire." Those of them who persist in toying with so fatal a policy must be remorselessly driven from public life.

"The retention of India is more important to the welfare of Great Britain than tariffs or any other

political question. That country may fairly be described as the very keystone of the Empire. Its trade is vital to our people. The total loss of the Indian market would mean bankruptcy for Lancashire and misery for her industrial workers. In the last year for which figures are available British exports to India were £ 83,900,000 in value (one-ninth of our total exports), and there is no other country or territory, British or foreign, which takes anything like that amount of British goods. This trade it is the deliberate purpose of the revolutionaries to destroy if they get the chance.

"British investments in India reach the enormous figure of £ 1,000,000,000, according to evidence given before the Simon Commission. Again, it is the declared intention of the revolutionaries to repudiate the Indian debt and so confiscate the plantations and factories which British capital has created on Indian soil. From the loss of such a sum, Great Britain could never recover.

"The policy of surrender in India has got to stop. Dominion Home Rule could produce nothing but anarchy and ruin. The experiment of trying to graft a twentieth-century Constitution on the materials of the Middle Ages has been tried in China, where it has resulted in twenty years of misery and civil war. There are two courses, and only two. The first is to get out and hand over the country to the Princes, who would pretty quickly settle the Hindoo lawyers of the All-India Congress. The second is to stay in India and govern.

That second course is the one which this country will take."

It is no wonder that there should be such plain speaking when the highest dignitaries of England are Commercial or Industrial magnates. Why? Mr. Montague was connected with the great Silver Firm of the Montagues. Mr. Baldwin, the Ex-Premier, was an iron merchant. When Lord Willingdon was the Governor of Madras, Lady Willingdon interested herself in popularising The Sun Beam Motor Cars amongst the Ministers and Maharajas of Madras which was owned by Count Brassey, her father. The episode of "Llyod George and the Marconi shares" indeed is of perennial interest and at one time Lord Reading's name was not unconnected with it. There was another period recently when Rolls Royce was sought to be popularized by a high dignitary in England amongst the Indian Premiers that visited the Country and that was Lord Birkenhead when he was Secretary of State for India. And where do the Anglo Indian magnates invest their moneys? Not in Zamindaris or Ryotwari lands, not in house properties nor in estates which they are prohibited from owning, but in the form of shares in the various Mills and Companies in Britain or in

India—we have already quoted the instance of Sir Benjamin Robertson I. C. S., of C. P. being connected with the Bengal Nagpur Railway. Therefore, their sympathies are naturally with the firms in which they have interests and the country from which they come in a conflict between England and India or the English people and the Indians, in regard to Commercial and Industrial interests. It is no wonder then that they put their weight on the side of their own countrymen, may be even palpably to the advantage of their Compeers and Captains of Industry. These statements may look as if they constitute serious charges against the political ideals of Englishmen in India or elsewhere and, therefore, they cannot be allowed to go without being supported by facts and figures. It will be the object of this brochure to adduce evidence in support of our contention.

CHAPTER II.

SALT.

Let us start with the simple proposition of *Salt* and work our way up to the Military. From that most innocent commodity known to man namely, Sodium Chloride, to that most complex organisation known to the human world namely, the Army, the whole policy of the British Government in India is regulated by the economic outlook cultivated with a view to conserving the interests of the British people. When Mr. Gokhale entered Indian politics in the year 1903, his first attack upon the Government of India was directed against the Salt duty which he considered to be illegitimate and uncalled for and even inhuman. The Government of India levied a duty of Rs. 2/8 on a maund of salt as Excise Duty, not that the salt manufactured brought profits to the owner or succeeded in capturing the world's markets but that it was obliged, before it crossed the very threshold of the factory, to pay an Excise Duty of Rs. 2/8. This has served to raise the price of salt unnecessarily and enormously and in spite of the repeated efforts of Indian politicians during the past 33 years, it has not been

possible for them to reduce the rate below Rs. $1\frac{1}{4}$ per maund. In the beginning of 1929, the Legislative Assembly carried a resolution reducing the duty from Rs. $1\frac{1}{4}$ to one rupee but the Viceroy certified the Tax so reduced by the popular Chamber and people do not pause to enquire why such an extraordinary and unpopular step has been taken by so popular a Viceroy as Lord Irwin in the matter of salt which is a necessary of life. If salt had been an intoxicating drug like Ganja or Canabis Indica, if it had been an inebriating substance like arrack or alcohol, or if it had been a stupefying drug like opium or an exciting drug like cocaine, one should have understood the rationale of regulating the manufacture of salt and controlling it by the levy of a duty. On the other hand, salt is a necessary of life both for man and beast and it is well-known how the consumption of salt rose appreciably during the first six years of Gokahle's term in the Imperial Council when he succeeded in getting the duty first reduced during the time of Lord Curzon. Ten seers of boiled gram requires at least a seer and half of common salt for animals but how few of the ryots or the owners of horses are able to mix this measure of salt with the food of animals! And the only reason is the expensiveness of salt. It is extraordinary that in a country having a coast line of

4,500 miles, having huge salt deposits, salt *oases* in deserts and salt lakes, wells and rocks, salt should be imported from abroad and the people of the coast should be prohibited from bringing a tumbler of water from the sea and evaporating it and making salt out of the process. To do so is a criminal offence, punishable with 6 months R. I. and a fine of Rs. 500.

Mr. Blunt writes:—

"It is only the very poor who are obliged to stint themselves in salt; but the very poor are, unfortunately, the rule in Southern India. In the Deccan, moreover, its pressure is galling because natural salt lies on the ground, and the people are, therefore, starved of it, as it were, in sight of plenty. In several villages which I passed, the ryots told me that they had been reduced to driving the cattle by night to the places where salt is found, that they may lick it by stealth; but the guards impound them if they are caught infringing the law, and latterly orders have been given that the Police should collect in heaps and destroy all salt wherever found in its natural state above ground. In other parts, I heard of a kind of leprosy attacking persons deprived of this necessary article of diet. The price of salt sold to the people by the Government is reckoned at from 1,200 to 2,000 per cent on its cost value."

Even from the point of view of the principle of efficiency, it stands condemned as the cost of collection is about 20 per cent of

the gross yield. Mr. Ramsay MacDonald says "Salt tax is exaction and oppression, and if the people understood it, it would only lead to discontent. It is a survival of the general exploitation of India's poverty by a profit-making Company."

Recently, about the year 1929, the Tariff Board was commissioned to enquire into the question whether India could not be self-sufficient in the manufacture and use of salt, and it has been said, that as a result of its enquiries in Bengal, people expressed themselves in favour of the white salt of Cheshire preferably to the dirty salt manufactured in India and, therefore, a report was made to the effect that so far as Bengal was concerned, it could not be made self-contained as the people would prefer white salt. It is indeed extraordinary that there should be this passion in this Country for white imported salt, white polished rice, white Java or German sugar, white foreign cloth and perhaps white brides from abroad. A little study is enough to point out how each of these introduces either a distemper or a disaster into the human body or the body-politic of the country. One may well wonder why salt should come from such a distant country as England on the high seas, a distance of six thousand miles, to India and how it is that it

can sell cheaper than the salt manufactured in this country. One may wonder too, why the Viceroy should have certified the old rate of Rs. $1\frac{1}{4}$ per maund and not consented to the reduction of as. 4 if only it be to please the Assembly. Why, would the heavens have fallen or the oceans have over-flown or the bosom of the earth split or the Empire crumbled if this tax had been reduced! Yes, whether the first three happened or not, there was no doubt about the last, that the reduction of the tax by as. 4 would have jeopardized the interests of the Empire.

Let us study how such an extraordinary result would follow. The fact is that the exports of India (1925-26) are worth 316 crores of rupees while the imports are only 256 crores. There is a difference of 60 crores between the two; but that is not all. The exports are all raw products or food materials and, therefore, highly bulky and voluminous. They occupy much more shipping accommodation on their way to England than the imports which are all manufactured goods and, therefore, being compact in structure, occupy less volume. Even if this were not so, the exports would require more shipping accommodation than the imports from the standpoint of value alone; but from the standpoint of the nature of the articles,

it is clear that a houseful of cotton exported would bring only a boxful of cloth. It is thus clear that, apart from tonnage based upon weight, the volume of shipping accommodation required for the exports from India is enormously greater than that for imports. There is the third factor that there is no Indian Shipping worth-mentioning* and that both outward and inward, the shipping required for exports as well as imports must come from foreign countries. That means that a lot more of shipping comes empty on the high seas in order to take the goods from India than the ships that come laden. We have already stated that exports like cotton, rice, wheat, coffee, tea, hides and skins, oil-seeds and ores, occupy much greater volume than the finished products into which these are converted. When thus the empty ships have to come on the high seas, they are subject to the buffets of storm and they cannot come without some keel ballast. In the earlier years, the ships were carrying into India mere earth as such keel ballast and it may not be widely known that what is known as Chowringee in Calcutta—which is the fashionable shopping area of the city—was formerly a Canal leading from the Hugli to the Kalighat Temple and was covered up with

* For details of shipping, see the section dealing with Shipping.

earth brought from London. The Ships were adopting this course as there was no freight to carry to India and they had to wait in the harbours at Liverpool for 6 weeks on the off-chance of getting some freight.

To solve this difficulty, a Commission known as the Salt Commission was appointed exactly a hundred years ago and they recommended that Salt might take the place of mere earth as keel ballast. But then the problem was what to do with this salt. It must sell and it could not sell as against Indian Salt unless the latter was taxed. Accordingly, an excise duty of Rs. 3/8 per maund was proposed and levied on Indian Salt with the result that Indian Salt was beaten out of the market. As a collateral result, South India was hit hard for she was exporting on Indian ships salt from the Coromandel and Malabar Coasts to Calcutta and was getting back Bengal rice to the South. This happy exchange of commodities as well as freight for shipping were forthwith disturbed. Fisherman's trade in Salt fish which was being carried on by the labour of women in the privacy of their home-environment was destroyed as they were prohibited from using the salt earth for the purpose. They could not get salt for their conjee though they lived all day long and all night to boot on *the salt ocean*.

They, therefore, dipped dried up grass in salt water, and carrying it in hand, brought it home, burnt it on the fire, caught the ashes in a pan and mixed it with their conjee so as to salt it. They were prosecuted under the new Salt Act and sentenced to Rs. 500 fine and 6 months' imprisonment. Their ancient and hereditary occupation passed into the hands of Contractors, who neither caught fish nor made salt but carried on salt fish trade under the supervision of Salt authorities in places fixed by them. A century has elapsed since these events took place and the great campaign of Salt Satyagraha, planned and executed by Gandhi in 1930, has led to a mitigation of these hardships in areas where salt can be had as a product of nature. But the relief is purely temporary and partial. It is a tragedy of the first order that in a country where the salt rock in the Punjab is capable of supplying salt to India for a thousand years and to the world for 250 years, where again the salt oasis in the Sindh desert is capable of supplying salt to India for over 200 years, the poor folks and the dumb cattle, should be without salt. During the great War, when Salt could not be brought to India from Cheshire or Aden, Government encouraged the extension of the salt pans in India but the moment the Armistice was

declared on 11-11-1918, the English salt began to invade this unfortunate land.

It is as keel ballast, then, that Cheshire salt comes to India and not only salt but also old newspaper bales, porcelain chips, Italian marble, preserved fruit and potatoes, ... and latterly wheat from Canada and rice from Japan. Everyone of these articles sells cheaper in India than similar articles made or grown in the Country. When you buy a pound of sugar in the market, you not only buy foreign sugar but also find it bundled up in foreign newspapers and those who care to look into these papers would have an opportunity of reading the columns of the Daily Mail, the Daily Sketch, the Daily Chronicle, the Daily Herald, the Daily News and the Daily Telegraph without paying for them, ... for the payment is already included in the price of the commodity. Porcelain chips are used for the pavement of the floors of mansions in Bombay. Italian marble coming as ballast, and with the differential Railway rates that prevail upon ships and Railways, undersell Jeypore marble. Reverting to salt, we see that it is to enable the British salt to be sold in India that we have the extraordinary spectacle of a duty being levied upon indigenous salt so as to enable the Shipping Companies to make up the expenses of the voyage by the sale of salt in India.

It will thus be evident that if this duty on Indian salt had been reduced from Rs. 1–4–0 to Rs. 1 or even Rs. 1–3–11, it would have been impossible for the British Shipping Companies to bring salt as keel ballast; that means no ships can come to take the exports; that means no exports to England which means no food to that country. That means serious injury to the Economic interests of the Empire or at any rate of England and that is why the Governor-General certified the pre-existing rate of duty in 1929.

CHAPTER III.

TEXTILES.

The one outstanding commodity which has swayed the fortunes of the British in India and paved the way for the up-building of the British Empire in India is the Cotton fabrics of this ancient land. India's cotton fabrics are well known for their fineness of texture. Till 1803, not a yard of cotton cloth was imported into this country from England. On the contrary a good bit of the trade of the East India Company with this country consisted in carrying our cotton fabrics to England and conduct a highly profitable trade. But with the invention of the steam Engine about the year 1783 and the application of power a few years later to the loom, cotton cloth not only began to be manufactured in England but manufactured in such abundance by Power that she had to find markets abroad for it, so that for the first time we had 3 lakhs worth in 1829. In 1929, we had 72 crores worth of cloth (cloth 66 crores and yarn 6 crores) imported into India. It is some satisfaction to note that the imports from Lancashire in 1936 amounted to $9\frac{3}{4}$ crores of Rupees against the obligaton to receive $3\frac{3}{4}$ crores worth of cotton

by Lancashire from us. The history of the Textile trade from 1803 to 1936 may briefly be studied.

In 1851 the first Spinning and Weaving mill began to be constructed by Mr. Davar in Bombay and that was the hint to Government to encompass the cotton area of India. That is how the Berars came to be coveted by the British and means were contrived whereby the Berars were sought to be wrenched from the Nizam under the most pathetic circumstances. The system of subsidiary allowances introduced by Wellesley in 1805 only required the maintenance of a certain contingent (Army) by the Princes to be placed at the disposal of the British in time of war and did not make the Princes, much less the British in the alternative, responsible for their allowances or pay. Yet we find from the following account taken from John Malcolm LudLow's "Thoughts on the policy of the Crown towards India," a book published in 1859, how the British administrators managed to make the Princes disgorge their Territories and part with them on various kinds of pretexts. The pay and allowances of the army (contingent) maintained by the Nizam fell into arrears and the Nizam was called upon to pay up the amount within a stated time. Says LudLow:—

"The Nizam did not pay within a year, within eighteen months. Hereupon, the British Resident was instructed 'to demand the temporary assignment of territories for the liquidation of the debt." So wrote Lord Dalhousie to his Leaden-hall-Street masters; but in a minute of 1st January, 1851, he observed already that "probably we shall find ourselves compell ed to retain permanently, for the regular payment of the contingent, those districts which we may now occupy temporarily for the liquidation of the debt." And the Resident is accordingly instructed, in forming his opinion regarding the territories to be made over, to "bear in mind the probable necessity of retaining them permanently."

"This was on the 4th January 1851. Six months more elapsed in deciding upon the territories to be demanded and upon the exact nature of the demand. On the 6th June 1851, a letter was addressed by the Governor-General to the Nizam, to the effect agreed upon. "The efficient maintenance" of the contingent is treated in it as "a duty imposed on the Government of Hyderabad by the stipulations of existing treaties." The Nizam is told that the demand now made "is temporary," and "will neither be withdrawn nor post-poned," that "it will be necessary" that he "should in

due form convey to the Resident the districts named and should (Sic) vest him with full authority for their administration and control. The Nizam, strange as it may seem, was astounded at such a simple demand (I omit others with which it was coupled). He observed that "it was not customary with the Honourable Company to transfer territory in payment to its creditors."

"The British Resident and Government, however, were perhaps more astounded still when he proposed to pay off the whole debt in about three months and to give security for the regular payment of the contingent in future. The demand for cession was suspended; half the sum or rather more (£ 340,000) was actually paid down in bills, leaving a balance of £ 320,000 to be paid by the 31st October 1851 the cost to the Nizam being indeed much greater than the amount realized. Of the second instalment, however, by the 5th December, only about £ 87,000 had been paid. A further delay of a month was granted, and yet prolonged...a reference being made Home for approval. The debt was again increased by new payments on account of the contingent. It amounted to somewhat over £ 460,000. When Lord Dalhousie penned his leading minute of the 30th March 1853, in which, as I

have before observed, he expressly admitted (in direct observations to his own letter of the 6th June, 1851), that the Nizam was under no treaty obligation to maintain the contingent, he admitted as expressly that "the aggregate expense of the Nizam's contingent is unusually and unnecessarily heavy, "whilst its quality is not better than that of bodies less highly paid. He declared that "the Government of India owes much consideration to the Nizam in regard to his contingent force." And he concluded to the demanding a cession of land in discharge of the debt and the standing expenses of the contingent; the cession to be demanded, even if the contingent should be disbanded, to meet the expenses of the force during such disbandment, which must be gradual. The Resident was "instructed to contend for the cession to the utmost." The form of a new treaty was forwarded to him, which the Nizam was to enter into.

"I know nothing more instructive, as to the procedure of the Indian Government of late years towards native princes, than the negotiations with the Nizam, as they are set forth in the Parliamentary paper relating to the subject; though the very despatches, I am told, are garbled, and English eyes have read in the originals passages, of haughty contempt

towards the native sovereign, which would not bear translation.*

"He was very averse to the new treaty; he did not want any, said he to the Resident, "however much so ever you or any other person or persons may fancy it to be advantageous to my interests." He consents, however, to read the proposed new treaty, and compare it with the old one; sits up nearly all night conversing about it; meets the Resident the next morning (30th of April, 1853) Colonel (afterwards General) Low never knew him "more acute in argument or more fluent in conversation" than on this occasion. "Did I" he asks, "ever make war upon the British Government, or intrigue against it, or do anything but cooperate with it, and be obedient to its wishes, that I should be so treated? Two acts on the part of a sovereign prince are always reckoned disgraceful; one is, to give away unnecessarily any portion of his hereditary territories, and the other is, to disband troops who have been brave and faithful in his service." He promises that the contingent shall be paid in

* This is what Mr. Bright is understood to have referred to in his great speech of June 24, 1858 when he said, "Only think of a Governor-General of India writing to an Indian prince, the ruler over many millions of men in the heart of India, 'Remember, you are but as the dust under my feet.' Passages like these are left out of despatches when laid on the table of the House of Commons.

future on the 1st of every month, like the Company's own troops; he offers the guarantee of others for his word. He suddenly orders every one to retire, entreats the Resident, "as a personal favour, to give up the scheme of a a new treaty, and to advise his Lordship to trust to this Highness's word that all future payments, in which the British Government are in any way concerned, will be paid with the utmost regularity." "Gentlemen like you," he burst out, "who are sometimes in Europe, and at other times in India, sometimes employed in Government business at other times soldiers; sometimes sailors, and at other times even engaged in commerce—at least I have heard that some great men of your tribe have been merchants—you cannot understand my feelings in this matter. I am a sovereign prince, born to live and die in this kingdom, which has belonged to my family for seven generations; you think I could be happy if I were to give up a portion of my kingdom to your Government in perpetuity; it is totally impossible that I could be happy; I should feel that I was disgraced. I have heard that one gentleman of your tribe considered that I ought to be quite contented and happy if I were put upon the same footing as Mahomed Ghouse Khan; to have a pension paid to me like an old

servant and have nothing to do but to eat and sleep and say my prayers...you, too, do'nt comprehend the nature of my feelings as a sovereign prince for instance, you talked of my saving at least eight lacs of rupees (£80,000) per annum by making this treaty, as something that I ought to like. Now I tell you, that if it were quite certain that I could save four times eight lacs of rupees, I should not be satisfied, because I should lose my honour by parting with my territory." Nothing availed. The Nizam convened a meeting of his Ministers who saw no alternative but to part with the territory if the Governor-General had already decided that it should be. Thus did the Berars pass into the hands of the British and the so-called lease was made cession in 1903 when the Nizam gave Curzon Berars and got a 'G. C. B.' in turn in the year's honours' list.

Then came the turn of Nagpur or the Central Provinces. "Berars is but the gateway to Nagpur" wrote Dalhousie to the Court of Directors in 1853 and the opportunity arose in 1854. In February that year, the Bhonsle died without issue. His wives were denied the right of adoption, the Palace was surrounded by troops, the Ranees were turned out and their jewels were sold away. Horses, elephants, and

cattle were all put to auction and the Fort was occupied. Nagpur is the best Cotton area of India and Berars was really the gateway to it. It is thus that C. P. and Berars came into the possession of the British and this, as Lord Dalhousie pointed out, is a commerce transaction.

CHAPTER IV.

COTTON DUTIES (IMPORTS AND EXCISE)

The story of the cotton textile trade in India is a mixture of politics and economics. As Lancashire trade began to prosper, India came to be regarded as the market place for it and the Government of India naturally placed Lancashire's interests foremost. Take the history of the import duties on cotton goods as well as the excise duties on them.

Cotton duties on imported textiles came into being at first only as a Revenue measure. The Revenue duty of 5 % on Cotton twist and Yarn levied in 1859 was opposed by Lancashire and the Secretary of State asked for its reduction and when there was a reduction of these duties in 1861, the then Finance member of the Government of India supported it by saying that the duty adversely affected the interests of the British manufacturers and commerce, that the determination of the fiscal policy of India depended upon England—thus a tax in India injurious in operation to British interests, not having the slightest chance of being tolerated—and lastly that in the present (then)

state of things in Lancashire (of trade depression owing to the Civil War) he should be unwilling to postpone for a single day any benefit they might get from reduction. In 1882 the climax was reached and all duties on cotton goods were removed and in 1894 a 5% *ad valorem* duty was reimposed on cotton manufactures but the Secretary of State once again intervened and despite the opposition of the Government of India exempted cotton goods from it. Later, it was renewed but it was set off by an excise duty of five per cent which was imposed on all yarns of 20 s, and above, spun in power mills in India. Things rapidly became worse in 1896 when not only was the import duty reduced to 3½ per cent but a counter-vailing excise duty of 3½% was imposed upon cotton piece-goods woven in Indian mills. Then we come to the period of the War (1914–1918). During the war, the mill-owners, the moderates and the merchants of India rendered notable services to Government and besides the recruiting of soldiers and the purchase of war bonds, India contributed 349 crores altogether to the expenditure of the war and depleted herself of her soldiery for service abroad. During the war, the import of foreign cloth naturally suffered a set-back and the mills in India made good business although the duty on cotton goods remained unaffected while

the general import duty was raised in 1916 from 5 to 7½ and 10% but their fortunes suffered a set-back soon after the war. Naturally they raised a hue and cry over this, and in the end succeeded in getting Government to grant certain concessions. The duty on cotton goods was raised in 1917 from 3½ to 7½% while the excise duty on cotton goods in India continued at 3½ per cent. The progress of events in the succeeding years may be briefly told. While the Customs duties in percentages *ad valorem* on all imports generally were raised from 7½ per cent in 1920–21 to 11 per cent in 1921–22, and to 15 per cent in 1922–23, those on cotton piece goods were raised from 7½ per cent in 1920–21 to 11 per cent in 1921–22 and stood at the same level in 1922–23. It may be interesting to note that the corresponding figures for sugar were 10, 15 and 25, for luxury articles were 7½ to 10, 20 and 30 while for cigars and cigarettes they stood at 50, 75 and 75. In 1922–23 when the general duties were raised to 15%, the proposal to apply the increase to cotton goods as well, met with a counter proposal to increase the excise duty from 3½ to 7½ per cent. The latter proposal being defeated in the Legislative Assembly, the former was dropped. The boom in the mill industry of India had died down by 1923 when the mill-owners began to feel the effects of depression.

An agitation was set on foot by them which resulted in the final abolition of the Cotton Excise duty. Already the import duties on cotton goods having been raised from 7 to 11 per cent, the mill-owners in India had an advantage of 4 per cent over foreign cloth, and an additional advantage of 3½ per cent has been secured by the abolition of the Excise Duty. Thus the indigenous mill-made cloth had an advantage of 3½ plus 4 or 7½ per cent over the imported cloth. While the mill-owners were thus rejoicing, Sir Basil Blackett, the Finance Minister took away with the left hand what he gave with the right and presently fixed the exchange at 1s. 6d. instead of 1s. 4d., (i. e. raised it by 2d. or one-eighth or 12½ per cent). That meant that the importers of foreign cloth derived an advantage of 12½ per cent over the indigenous mill-owner, while the latter was led to believe that he got an advantage of 7½ per cent over the former, really the former got an advantage of 12½ per cent over the latter i. e. the foreign cloth merchant got a net advantage of 5 per cent over the indigenous manufacturer. This is a fine specimen of the legerdemain tricks of Indian economics in the Government of India. But the clamour of the mill-owners continued so that in 1930 while import duties were raised from 11 to 20 per cent on textiles other than British goods, the

latter were charged 15 per cent only except in regard to plain grey goods. Here is another example of the same astuteness of Empire preference, as it is called, the object of which was really to beat down Japan in its rapidly growing competition with England in the dumping of Textiles on India. This arrangement of 1930 was rather smart. But England had to deal with a sister nation of the East in Japan. Both are Islanders, both are in quest of markets in the Orient, both are out for Empires and neither is to be beaten by the other. Accordingly Japan presented two alternatives to its shipping magnates,...namely that they should either forego the freight to India in cloth, because Japanese cloth was taxed 5 per cent more than British cloth by the Indian Government or they should agree to take Japanese Textiles to India at a freight rate reduced by 5 per cent so as to enable the Textile exporters of Japan to make up for the increased Tariffs in India by a corresponding reduction in Freights. The Japanese ships agreed to the latter course and thus Japanese cloth was able to compete with British cloth on equal terms once again. That is not all. Japan being a self-governing nation, she compensated the patriotic Japanese shipping magnates by reimbursing them their loss in freight from the general revenues of the nation.

Thus while India was at the mercy of England, Japan was able to overreach the English devices in India by manipulating its own revenues and bounties and transferring the loss of the exporters of fabrics to the shippers and spreading the loss of the shippers over all the tax payers of Japan. England finding herself beaten on her own field at once proceeded in the budget of 1931–32 purely for financial reasons, to the levy of a surcharge in India of five per cent on the Import duties, including Cotton goods, thus raising its own charges and therefore the prices of its own cloth imported into India. But this time she had to deal with the Ahamadabad mills which were competitors in fine cloth with the Lancashire fabrics, and to set off the sur-charge, British Government in India levied an import duty of half anna per pound of cotton imported into India from Egypt or America, because the finer cloth manufactured in India which competes with Lancashire cloth, uses this foreign cotton for such fabrics. Thus what England suffered through a sur-charge was made up for by the levy of this tax on cotton which worked out to the same percentage in the aggregate against the Indian mill-owner.

The later history of Tariffs is interesting too. Before the year 1931–32 closed, the

imposition of a surcharge of 25 per cent on all import duties including cotton was sought by the Finance Member with the result that a duty of 25 per cent on British Cotton goods and $31\frac{1}{4}$ on non-British cotton goods was levied. But Japan was not to be beaten even then. She depreciated her yen making it cheaper for Japanese goods to be sold in India, just as Britain had done a few years earlier and the Anglo-Japanese Trade agreement stood in the way of further duties. The Tariff Board machinery was however set in motion and the duty on plain grey goods of non-British origin was raised to 50 per cent in 1932 and to 75 per cent in 1933 terminating the Anglo Japanese agreement in between the two events. Japan, however, had recourse to its own reprisals and decided to boycott Indian cotton which led to a Japanese Trade delegation to India. This became inevitable on account of the growing competition between Japan and Britain for a market in India for their cotton goods. A tripartite became, therefore, necessary as between Japan and India, India and England and England and Japan. The Indo-Japanese agreement and the Anglo-Indian agreement, however, are the two agreements that immediately concern us, and of the two the latter is more directly germane to the purpose of this book. A British delegation of cotton textile producers

visited India under the leadership of Sir William Clare Lees, but the Indian cause was represented only by the Bombay Mill-owners Association. Surely it will be admitted that the rest of India is at least equally interested in the cotton industry, yet it neither had a voice nor a vote in the settlement of the affair. The Bombay Mill-owners Association was headed by Sir H. Mody and therefore the Pact entered into between India and England at the time was known as the Mody Lees Pact, and what did this Pact concede to the Indian cotton interests? The principle of Imperial Preference was once again introduced in relation to piece goods and accordingly it was agreed that India should enjoy a higher level of protection against non-British imports than against British and that if ever the general surcharge of 25 per cent imposed in October 1931 against all foreign imports should be lifted, no attempt should be made to tax the British goods imported into India. British cotton Yarn imported into India was placed at an advantage by the duties applicable thereto being reduced. Artificial Silk piece goods of British origin were likewise admitted to a concession under which the duty levied thereon was reduced from 50 to 30 per cent. If they were wholly made up of artificial Silk and from 35 to 30 per cent if they were

admixed with cotton. What did India get in return? Britain promised to arrange the same advantages for Indian goods exported abroad as were enjoyed by the British goods and a promise was given also to the effect that Britain would use more Indian raw cotton than before. Although we are not directly concerned with the details of the Indo Japanese agreement, yet its broad features may be briefly summrized here. They provided for a maximum duty of 50 per cent or 5¼ annas per pound, whichever was higher, on Japanese goods leviable by India and also for a quota arrangement under which one million bales of raw cotton was agreed to represent the basic quota of export from India to Japan in a given year in return for the import of 350 Million Yards of cotton goods from Japan to India in that year.

At this stage, we have to follow up events that have since taken place as result of the Cotton Protection Act of 1930 whose tenure was for three years. The Indian cotton trade had enjoyed certain privileges and a fresh enquiry was undertaken in 1932 on the eve of the expiry of the three year term. The Tariff Board expressed itself in favour of granting further protection to the cotton industry, but its report was not published at the time. It

was published only in 1934 while it had been drawn up in September 1932 and what happened in the interrugnum! The Mody-Lees Pact, the Indo Japanese agreement and the Ottawa Trade agreement, all the three had been signed and when the thief had escaped the door began to be bolted. The three Pacts having been signed, the publication in 1934 of the Tariff Board Report of 1932 was not only out of time but was also out of tune with the new music set by the three Pacts. Accordingly the Cotton Textile Act of 1934 could only validate and implement the Indo-Japanese and the Anglo-Indian Pacts. The Ottawa Pact and its repercussions require a separate chapter for themselves.

We shall refer at the end of this brochure to the permanent arrangements made by England by way of statutory provisions, so as to carry on her business in India unhampered by Indian Swaraj and maintain her commercial supremacy here in spite of it.

CHAPTER V.

THE OTTAWA PACT.

The ottawa Trade agreement has been left over to be dealt with separately.

Before the discussion at the 1st and 2nd Round Table Conferences took shape in the form ultimately of the Indo-British trade agreement and the commercial safe-guards under the Government of India Act of 1935, there was enacted at Ottawa an episode which has passed into history as the Ottawa Pact and has raised a storm of opposition in the political and commercial circles of India.

The delegates that claimed to sit on the Conference on behalf of India at Ottawa which began its session on the 21st July 1932, namely Messrs. Atul Chatterjee, Rainey and Chetty, were the nominees of the Government of India. The Chairman of the conference was Viscount Hailsham. The Indian public were not consulted nor were the Chambers of Commerce in India given a voice in determining the delegation. Indeed the Indian public awoke one fine morning in the last week of August to find that India was committed to a policy of Empire

preference in respect of a long list of articles. Yet changes of a far reaching character were being introduced hurriedly even before the Report of the Indian Delegation was published. While the agreement was signed on 28-8-32 and was approved by the Government of India, it was placed before the Indian Legislative Assembly—close on the heels of the publication of the Delegation's report in the first week of November 1932. The members of the Assembly were sought to be overborne by the fact that the Pact had already been signed by the Delegation and ratified by the Government of India. Under the circumstances, a Committee was appointed which, after a hurried sitting extending over a few hours, and in spite of the markedly adverse character of the evidence tendered before it, suggested a compromise, since approved of by the Assembly, limiting the tenure of the Pact to three years, and demanding yearly reports in the meantime, on its working.

The pact laid down that Britain should grant a preference to certain goods taken by her from India while in return India should grant a preference of 10 per cent on the British goods taken by her, which were mostly manufactures. Already India had been giving perference to British steel and textiles, while

Britain was granting preference to Indian Tea. Britain undertook to extend the preference to Indian Jute, Rice, Shellac and so on. Of these, Jute being India's monopoly, England would be conferring no benefit by granting preference, for preference is between two rivals and Indian Jute had and has to be taken under conditions dictated by India. The fact of the matter is that the so called principle of Reciprocity that must under-lie all such bilateral and multilateral agreements was nowhere to be seen in its application to India. After all, while we send out to Britain only a third of our total exports to other foreign countries, we must cultivate the good-will of the latter who consume two third's of our exports. Instead of doing that by favouring Britain compulsorily, we are only antagonising our non-British customers. And we have already seen that Britain confers no favour on India for granting preference to the two large exports of India to Britain—namely Tea and Jute. Indeed, Ceylon which does not figure in the picture of the Ottawa pact gets the same preference from Britain in respect of Tea. To tax Indian tea higher would be to raise the price of Tea in Britain and to penalise the British Tea planter in India. Again for India to grant preferences to an advanced Industrial Nation like Britain would be to jeopardize the growth

and prosperity of indigenous nascent industries in India. Instead of tackling the subject in all these aspects, the Committee of the Assembly when called upon by Government to show how the Pact would injure India's interests, contented itself with limiting the period of the agreement. Really the burden lay on the shoulders of the Government of India, of showing how the Pact would benefit India.

It was not India alone that stood to suffer by the agreement. India was, however, forcibly committed to the pact without her knowledge at first and against her declared wishes later. The self-governing Dominions like Canada had a clearer vision and Canada's unwillingness to join was well known at the time. The prospect of British Coal, Iron, Steel, Chemicals, Glass, Cutlery, Chinaware, Textiles and Shoes being given an advantage over non-British goods was there, but that spelt a loss of 50 to 250 million dollar trade to America in Canada, 220 items of potential sale by U. S. A. were affected, ... iron and steel products, cotton and woollen products, chemicals, flat glass toilet, gum, tableware, and leather. And the loss to America evoked the resentment of American financiers and investors in Canada who largely contributed the party funds for Canadian politics and pulled

the party wires. Canada, on the other hand, had to contend against American Tariffs and, therefore, welcomed the British Market. Ultimately, therefore, seven bilateral Treaties were reached between England on the one hand and Canada, Australia, Newzealand, South Africa, New Foundland, India and S. Rhodesia on the other. Nor could England altogether give up her trade with Russia and Argentina as she had to protect her own investments there. So she granted only 10 per cent preferences. Britain had to give some Dominion preferences on wheat (6d a bushel) of Australia and Canada as against foreign lands; on native wines and fruits of Australia and South Africa on Dairy products, eggs, poultry, pork-products of Canada, Australia and Newzealand as against other European Countries; on foreign meat by an unrevealed method; by tariffs on butter, cheese, fruit, eggs, condensed milk and honey; and by a removal of restrictions on the entry of Canadian live cattle. Australia was much in the same position regarding meat, wool, wheat and dairy products as against Argentina and Scandinavian competition. Canada and Australia were interested in wheat; Australia, Canada, Newzealand, Southern Rhodesia and South Africa in meat and meat products. Newzealand, Canada and Australia were interested in dairy-products and poultry.

So each had to force Britain as against Argentina for meat and wheat or Denmark for dairy and poultry products. India had its own share in the bargain in relation to its carpets, rugs, hides (tanned) jute manufactures and sandalwood oil. But whatever temporary advantages the agreement might have offered, the fact remained that this intra-Imperial arrangement could not help India very much.

"Great Britain buys in a normal year less than a fourth of India's export" says Mr. Cole, "British exports form a larger proportion of Indian imports and it is clearly out of the question for Great Britain to offer to India a market for the major portion of the goods which she needs to export." "India's natural market" continues Mr. Cole, "is and will be more and more in the far East and it would be clearly contrary to her interests to enter into any sort of exclusive trading interests with Great Britain in such a way as to prejudice her trade with Japan, China and other Asiatic countries. The idea of six months' notice to terminate the agreement was fantastic, for legislation was required and though the Assembly might pass it, yet there is the Council of State with an official block to undo it and finally the veto of the Governor-General. Moreover the Problem of readjusting the markets had its direct repercussions on the budget. Markets could not be ordered to our liking and lost or reclaimed at our bidding. In its repercussion on the budget, it raised one of two issues if not both. Will

you levy higher taxes? If so, you will hit the consumer; if you reduce the old ones, the budget will be upset."

The Ottawa agreement was nevertheless signed on 28-8-32 by the delegates appointed by the Government of India and approved by it and was only submitted to the Assembly for ratification later, which was absurd. Public opinion in India was clear on this point for in defeating Mr. Chetty one of the Indian delegates that had signed the agreement, in a contest for a seat to the Central assembly on behalf of the mercantile community of the Madras Presidency, the voters who were none too democratic, registered in 1934, (November) their complete condemnation of the Ottawa Pact and the tools that were made to sign it. It did not take long for the agreement to be annulled by the Central Assembly (Delhi) with six months' notice originally contemplated, though nothing as yet seems to have come out of it all in the way of a fresh agreement. For a detailed study of the manner in which this agreement was proved to be detrimental to the interests of India, we would refer the reader to the report of the Committee of the Assembly on the subject. In the first instance, the agreement was nowhere proved to be beneficial to India. Secondly, the unreality of the so-called benefits to India has already been

laid bare in the opening paragraphs of this chapter. Finally in respect of various articles which England consumes, but of which India's out-put is limited, India had to compete with the Colonies, and therefore, India gets no benefits. There are other manufactured articles which Britain exports only in a small quantity, while India consumes them in large quantities and gets them from foreign markets, which Great Britain will take long to supplant. Here preference will only increase the prices and does not benefit India. Moreover, it is apprehended that giving preference to so many articles of Britain would only kill the nascent industries of India. With reference to food, drink and tobacco, we export 30 per cent of these to Britain and of raw materials and manufactured goods 43 per cent, while we import from Britain 65 per cent of value of manufactured goods. These are to the benefit of England, because raw materials, according to the Fiscal Commission, do not require protection, where articles manufactured with them get preference. Thus both ways, Britain benefits.

Take again groundnuts, rice and jute manufactures. We have plenty of these and their consumption by Britain is limited. So India is not benefited. Again, foreign manufacturers have their own factories (alluminium)

here and through the aid of 10 per cent preference, compete successfully with the Indian manufacturers. What measure of preference can enable India to compete with Brazil, in respect of coffee when Brazil destroyed 1845 million pounds of it in the two years ending June 1932 in order to ensure proper prices? It was estimated that England would receive preferences from India worth 17 millions while India would receive preference from England on goods worth 42 millions. The Ottawa Pact is one of those glaring tragedies in the Economic history of India which have done haovc but which, it is hoped, may not be repeated. What, however, Pacts may not achieve, are left to be accomplished by safeguards, and these we shall study in a later chapter.

CHAPTER VI.

RAILWAYS.

Railways and Shipping form a happy combination. Companies connected with them have clear understanding with each other in order to regulate their freights and rates in such a manner that they will tell against indigenous industries. A bale of cloth consigned in Lancashire to Tuticorn, Bombay or Madras is charged the same freight and the freight is less than the Railway freight from Ahmedabad to Hyderabad or from Nagpur to Delhi. A ton of cotton, i. e. 5 bales, consigned to Liverpool from Bombay carries a freight of 20 s. or Rs. 13-5-4 while the same load from Adoni to Bombay (300 miles) costs Rs. 34 and from Adoni to Ahamedabad, Rs. 70. Cotton from Delhi to Madras is cheaper in fare than to intermediate stations. The freight of marble from Jeypore to Madras is greater than the freight on Italian marble from Italy to India. A unit of iron imported from Antwerp or Brussels to any of the Indian ports is charged 10 rupees while the same unit consigned from Jamshedpore to Nagpur is charged 13 rupees. Cotton exported from Tiruppur to Delhi is

charged more than the cotton sent from Tiruppur to Lancashire. It is thus possible to quote an unending series of iniquitous rates deliberately levied in order to put an embargo upon indigenous manufactures and dump upon this helpless country various foreign goods at rates with which it is impossible for the former to compete.

Again, let us examine import duties—Plain Galvanized sheet used to be charged once a higher duty than corrugated sheets or buckets and other articles made of that very plain sheet.

Angle iron, T. iron, flat iron and rod iron were being charged a higher duty than iron cots and various other articles manufactured out of them. Likewise, brass sheet was charged higher than articles made of brass.

Wire was charged greater duty than wire nails, and nibs which are a cottage industry in Belgium, Switzerland and Germany were charged less duty than the plain sheet of which they are made.

The peculiarities of the present rate policy of Indian railways has been summed up by Dr. H. R. Soni in his brochure 'Indian Transport,' by saying that "rates between ports and inland centres are much lower than

inland rates, that the maxima and minima of the rates for various classifications of goods are fixed by the Government, and that the present rate policy is not in the ultimate interests of Indian agriculture and industry and therefore of the railways themselves."

On the question of Railway rates we extract below an interesting passage from a pamphlet entitled "Do they enjoy privileges." *

"Railway freights in India have been so framed as to foster the export and import trade at the cost of Inland trade. They encourage traffic to and from ports rather than internal traffic. The charges generally operate to the disadvantage of the Indian industries, especially the cottage industries. Indirect protection is often given to European firms by so classifying their goods as to give them the benefit of lower rates. Mr. Mukhtar Singh gave an instance in the Assembly in which a European company was being charged a special rate for sugar. "There is a special rate" he said "charged from, and to, Rosa for sugar. May I inquire why the distinction is made? On the East India Railway, even any person who wants to book his sugar from Rosa is not charged the same rate as Carew & Co., have to pay. I do not understand why a distinction is made in the case of a certain firm. The only answer

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* Being Reprint of three articles from '*Young India*' dated 25th June, 2nd & 9th July 1931.

that can be given is that in one case it happens to be an English firm and in the other case the very poor people. It might be said that Carew & Co., are a very big firm and manufacture very large quantities of sugar and, therefore, special rates are given to them.

May I enquire why the same rates are not given to other firms which also run up-to-date factories?" He showed that, while the rates for Sulphate of Ammonia had been reduced, those for Sulphuric acid which is used for manufacturing the former had been put up. The reason according to him was that Sulphate of Ammonia had recently been introduced into this country by a British firm. Recourse to Indian Stores Department has not been made compulsory for the Railways who have their Controllers of Stores. These are generally Europeans and not infrequently give undue preference in the matter of the purchase of stores for the Railways. The magnitude of the harm done in respect to indigenous interests will be apparent from the fact that the State is the biggest 'consumer of goods in the country and annually spends crores to purchase requirements for the Army, the Railways, the Ports, Trusts etc."

Government of India have a clear partiality for Railways as against irrigation.

In the words of R. C. Dutt,

"Now the British Manufacturer thought that Railways would more quickly open up the interior of

India to their commodities than Canals, and the administration of both the East India Company and the Crown was subjected to a continuous pressure from Parliament to multiply and extend Railway lines at the loss of the Revenues of India."

It may be that Railways were meant for strategic purposes but the fact remains that they have been guaranteed a 4 per cent dividend upon the capital sunk on them and some of the Railways have worked at a loss while every irrigation project is scrutinised from the stand-point of its repaying capacity. The total loss on Railways up to 1900 was 390 crores of rupees to the State while the guaranteed dividend came to 80 crores of rupees. It may be appropriate here to give the latest instance of double-dealing in regard to the State taking over a Railway from the Company owning it. Says a writer in the 'Social Order'.

"I will now refer to a case of actual double dealing. It happened like this. Somewhere about 1931, the British Government in India agreed to the Indian demand to buy out the Bengal and North Western Railway (B. & N.W. Railway) from the British stock-holders. The British owners of this Railway, in addition to earning their commercial profits, receive, under an "agreement" made some 60 years ago, *AN ADDITIONAL* "bounty" of 3½ per cent on the capital invested under

the garb of "guaranteed interest." The dividends they have received have risen without a break from 11 per cent in 1923 to 18 per cent last year. The cash reserves to-day stand at £ 3,150,000 as against the total ordinary capital investment of £ 3,000,000. The period of "concession" has long expired.

"As far back as 1923, the Government itself proposed that time had come to buy out the British stockholders of Indian Railways and to pursue a policy of nationalisation. The E. I. Railway and the G. I. P. Railway were thus acquired. Now came the time for acquiring the B. & N. W. Railway. This was in 1931. That year, Britain went off Gold Standard and it did not suit the Banker's interest to put through the Indian deal. The purchase was shifted to this year, 1937.

"Now, what happened? The Secretary of State in Whitehall not only did not purchase the Railway, but without even informing the Indian Legislature, first extended this "concession" to 1942 and then......what follows has been divulged not by an official statement but from the speech at this Railway's Shareholders Meeting delivered by the Chairman! He told his fellow Shareholders that the Secretary of State had "asked" the Company to carry on for an "unspecified period beyond 1942."

The point to remember is that all this while the Indian tax-payers are continuing to pay to this Railway 3½ per cent interest on

its total capital outlay. It was with the utmost hesitation that the British Engineers undertook the construction of the Anicuts on the Krishna and Godavary rivers taking their lesson from the analogy of the ancient anicut on the Cauvery river. Yet these two systems have proved remunerative to the point of paying interest at 19 and 22 per cent respectively on the capital outlay. Unfortunately, albeit, Government levies an additional tax of 25 rupees now per each acre brought under the ayacut by way of premium (since cancelled 15–7–37). Irrigation works are divided into productive and protective, and even the protective works are required to be paying to a certain extent according to the class under which they may come. Only recently (1929) Madras Government had held over a scheme which was recommended by a certain gentleman of Ongole characterising the work as neither productive nor paying enough even to be productive. But when it comes to the question of Railways, they do not care either for the productivity or for the "protectivity" of these Railways. They guarantee interest and allow the Railways to be constructed at public expense, for really, that is so when interest is guaranteed. The object is clear; apart from the strategic purposes, the railways serve to distribute the foreign imports all over

India and carry abroad the exports from the various parts of the country. We have already adverted to the differential rates levied by the Railways in conjunction with the Shipping Companies so as to help imports of foreign goods and put a certain embargo upon the spread of indigenous articles. The Railways have been constructed without regard either to the artistic beauties of the towns across which they run, or the sanitary principles of the villages alongside of which they pass. There is a popular belief which has been condemned and very rightly by Government that the British have brought Malaria to this country; but as there is no smoke without fire, even so, this rumour must have some kind of distinct connection with the arrangement of affairs which might generate such a suspicion. The fact is that the Railway bunds have run across the natural courses of drainage, especially in Bengal, causing whole tracts of country above them to be water-logged, for the spans of bridges and culverts constructed across these bunds would not drain off all the water immediately. The result has been that, in Bengal, people live in water for a good part of the year and the water-logged areas are infected by Malaria which has played havoc with millions of lives in that province. If Government had cared less for the commerce of England and

more for the health of India, they would have undoubtedly thought twice before they permitted such a reckless construction of the Railways on the one hand, or allowed irrigation schemes to suffer neglect on the other; but the predominant consideration is the economic interests of Britain.

Before we close, we may advantageously refer to one of the recommendations of the Wedgewood Committee just published (June 1937) which is to the effect that the exchequer of the Federal Government should not look to Railways for a contribution to the General Revenues. This is designed, incidentally, to weaken Provincial Finances as well, because under the Nieymear award, the Provinces are one day to get a contribution from the Railways when the Railway Finance is sound. Now it is urged that Railway finance should be kept wholly for Railways.

An interesting development of the New Act of the Government of India of 1935, is that, in the future Indian Federation, while Railways are to be transferred, Railway rates are not. They are to be determined by the Railway Board which is appointed by the Governor-General in his discretion by virtue of authority invested by him. The Railway

Board itself is brought into existence by a separate Act of Parliament which cannot be touched by the Government of India. Thus Parliament brings the Railway Board into existence; the Governor-General in his discretion, appoints its members. They determine the Railway rates and the Railway rates are the key to foreign trade in India. How else could Australian wheat compete with the Punjab wheat in India or Italian marbles and tiles compete with Jaipore marbles and Henke's tiles. Railway rates are one of the three or four vital points of British trade in India, whereby it gains advantage over indigenous trade and indigenous manufactures, the other points being Exchange, Currency and Tariffs.

CHAPTER VII.

SHIPPING.

The Railway companies enter into contracts with Shipping Companies whereby, a ryot in Bengal undertaking to sell Jute must consign his goods in a particular Steam Ship Company; if it were otherwise, the Railway Company would not clear the goods. When Jute Mills contract with the Jute growers for the supply of jute, the contracts are so made that they include not only the sale of the raw materials but also their delivery in Calcutta by a particular river Steam Ship Company in which the English merchants are interested. If the jute growers refuse to patronise the Company, the jute buyers refuse to patronise the jute growers. With regard to Shipping itself, it is well known, how the Shipping Companies have (1929) a system of rebates whereby, its customers are in a perpetual indebture, as it were, to the Shipping Companies. That is to say, if the merchants gave their freights to certain Shipping Companies one year, they are entitled to a certain rebate upon the freight paid during the year which, however, they will receive only at the end of the next year,

provided they have given their next year's freight also to the same shipping company.

Then there is the rate war, and on this question we extract from an article on Indian mercantile marine by Hon'ble Mr. V. Ramadass Pantulu in "Triveni". The foreign companies exploit the Indian shipping concerns to the fullest when there is no competition in the field and keep their coastal rates as high as possible. Here is what an expert body like the Fiscal Commission says:

"Some what parallel to the complaints about railway rates are the complaints which we have received about coastal shipping rates. The causes are different, but the results are stated to be the same, namely, that Indian goods are handicapped in transmission in comparison with goods from foreign countries. Rates have been quoted to us showing a great disparity between the charges on goods shipped from one Indian port to another and those of goods conveyed between India and foreign countries. Such disparities more than neutralise the natural protection which an industry might expect to receive in its own country by reason of the distance of foreign manufacturing areas. The cause of the high rates in the Indian coastal trade can, according to their critics, be summed up in the one word 'monopoly.' The foreign companies can, however, afford to bring down the rates of freight on the coasts to an uneconomic and unremunerative level, the moment they

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discover any sign of Indian shipping enterprise appearing on the horizon; and its effect would be to drive away the Indian tonnage from the field, for no Indian company can afford to work at a loss for a long time. Mr. Walchand Hirachand has exposed the latest phase of the rate war in his address to the shareholders of the Scindia Steam Navigation Company, only a week ago. Mr. Hirachand puts it bluntly when he says that the foreign companies manipulate their rates with the sole view "to prevent, if they can so manage, even a single ton of cargo from being shipped by an Indian vessel," no matter how much they themselves lose in the pursuit of this object. The facts adduced by Mr. Hirachand leave no room for doubt that the rates of foreign companies have been purposely brought down to an uneconomic level and that the coast was deliberately saddled with superfluous tonnage to hit the Scindia Steam Navigation Company and other Indian shipping enterprises. The foreign companies have what is called "tramp tonnage" as opposed to that engaged in regular lines, which can afford to accept cargo at low rates for stray voyages, as it has not to meet the many and varied obligation of regular liners. This has added to the complexity of the rate wars. Notwithstanding the reduction in the rates of freight in coastal trade, the British companies can give high dividends to their shareholders owing to other advantages they enjoy. The Chairman of the Scindia Steam Navigation Company, Ltd., explained the situation in these words: "The real position is that, although the advent of Indian shipping

companies on the coast compelled the British shipping companies to bring down rates, they have got to-day other monopoly routes and sources of income from Government patronage and mail subsidies, denied to us, whereby they can make large profits which Indian shipping cannot do on the coast." Next, the British shipping companies enjoy incalculable benefits arising from almost the whole foreign trade of India being in the hands of foreign business houses. These houses naturally patronise the foreign shipping companies and never the Indian shipping companies. Then the facilities for British shipping companies and British railway companies in India to combine to mutual advantage also put the Indian shipping companies at a disadvantage. Evidence was tendered before the Mercantile Marine Committee of an instance in which a Shipping Company and Railway Company entered into a contract with a view to attracting trade to a particular port which afforded them peculiar facilities. We have said enough to show that a policy of open door is not conducive to the growth of indigenous shipping enterprises and that the Mercantile Marine Committee are right in laying emphasis on the need to create a favourable field and legitimate opportunities as a SINE QUA NON for Indian shipping progress."

It is somewhat consoling to be told that shipping lines, which are members of the Shipping Conference are increasing the freight rates to British India from 15th November, 1937

as follows:—The present rates of thirty shillings a ton to Bombay, Karachi, Calcutta, Madras and Colombo will be advanced by half a crown a ton and the rates above thirty shillings, with a few exceptions, will be increased by five shillings a ton.

Again a passing reference may here be made to the hostility of the Indian Government even at this day to the reservation of Coastal Shipping to indigenous Companies. When an Industrial Exhibition was held in Calcutta in 1928 (December) a pyramid was constructed to show the measure of Indian Shipping and compare it with that of other countries. India occupied the twenty-fourth place almost at the apex, while the pyramid was broad-based upon England which carries 74 per cent of the Indian Shipping. India occupies the last but fourth place out of twenty seven nationalities, commanding only one and a quarter per cent of the shipping, while those that come to below India and rather stand above it in the pyramid, were Turkey, Poland and Chili. These three countries have since adopted reservation of Coastal Shipping for indigenous companies but this very measure introduced by Mr. Haji in the Assembly was remarked upon by so broad-minded a Viceroy as Lord Irwin as spoliatory or confiscatory and as

involving an act of expropriation. It is said that the British Shipping merchants had subscribed something like half a million pounds in order to conserve their shipping interests and prevent the proposed Indian legislation being enacted. In this connection, we are reminded of certain happenings during the War time. A ship-builder of Masulipatam was encouraged to build an Indian ship during the War time and he made a little money over it. He was persuaded by the authorities to build more ships and yet more until he spent a lakh and fifty thousand rupees on his last big ship and unfortunately even as it was completed, the Armistice was concluded. What happened? Down comes the order from Government that only British Steam Ships were to be licensed to get rice from Akyab to the Coromandel Coast. This poor ship-builder who had been honoured by a title was truly ship-wrecked. In addition, he was assessed to an income-tax of Rs. 72,000 for the profits in the previous years and after spending about Rs. 20,000 over an appeal, he got it reduced to Rs. 47,000, not much of a gain mathematically at any rate. After suffering in his finances, he was obliged to break up his big ship into 24 small boats, six years later, at a cost of an additional 25,000 rupees. This is the treatment given to Indian ship-builders and yet it is well known

that the risks run by an Indian, wooden ship are much fewer than those run by steel Steam Ship Companies. For the Indian ship lasts 50 to 60 years as against a Steam Ship which does not last a third of the time.

All this is by the way. Let us revert to India's Shipping. Indian Shipping has not been allowed to flourish in India. In regard to her over-seas trade, India commands only two per cent while the foreign shipping commands 98 per cent. Again, in regard to Coastal trade, foreign shipping commands 90 per cent, while Indian shipping commands only 10 per cent. The unequal competition which well-established foreign shipping companies enter into with the newly started Indian shipping firms is well known. A Conference of shipping representatives of India and England presided over by the Viceroy was convened on the 3rd of January 1930; and its sad failure to discover a *via media* in the matter of Coastal shipping was due, not to the destructive or impossible demands of Indian politicians, but to the inability of Indian businessmen to obtain decent conditions at the hands of the British Shipping Companies with their vested interests. The proposal to sell the Indians one ship every year is calculated to take the extinction of foreign monopolies on to a hundred years onwards.

An additional element in stifling Indian Shipping is the Japanese mercantile fleet. But in regard to this factor, a recent Simla communique says:—

"It is understood the Government of India's plans to deal with Japanese competition in Indian coastal traffic have been completed. They propose first to clear the ground by repealing the old Act of 1850, which threw the coast waters open to the shipping of all nations. Government thereafter propose to take powers to regulate coastal shipping. Formal sanction is awaited from the Secretary of State for the repeal of the old Act and the introduction of new legislation and it is expected the Government will be enabled to bring before the Simla session of the Central Assembly proposals in both these respects.

"Though Japanese intrusion has been the immediate provocation, it is stated that German shipping also has shown occasional spurts of activity on Indian waters. Japanese activity, it is pointed out, has in the main been of a spasmodic character."

Regarding Madras—Japan Shipping, we have an interesting statement by the P. & O. A telegram from London, dated July 16, says:

"The following statement on the position of the shipping trade between Madras and Japan and the decision of the British India S. N. Co. to develop its own services in the trade, has been sent by the Press Office of the P. & O. Company.

Recently the Mitsui Bussan Kaisha, a firm of merchant ship-owners' commenced a direct service from Japan to Madras and Madras coast ports, which has within the last few months been supplemented by a monthly service by the N. Y. K. Protests from the British lines against this further incursion into the trade to and from India have been unavailing.

The position now is that the Japan-India trade, which forty years ago was practically 100 per cent carried in British ships, is now in the hands of the Japanese to the extent of about 75 per cent. The Japanese, for example, carry over 80 per cent of the traffic from Bombay to Japan, and more than 89 per cent of that from Japan to Bombay. It will be seen, then, that the B. I. service between Kobe and Madras is an effort to meet the continually growing competition of the Japanese Companies, and is not, as reported, an active agression by the British India in fresh competition.

Before concluding this section in Shipping, we have to call the reader's attention to the New Legislation relating to Future Indian Shipping. When in 1928 the Coastal shipping Bill was introduced into the Indian Legislative Assembly, there was a consultation held in London with the Legal Remembrancers of the Secretary of State for India upon the law relating to the admission of this Bill into the Indian Legislative Assembly and they then gave the opinion that the Indian Government had no

more right than the Governments of the Dominions to keep out this legislation. But under the Government of India Act of 1935, the Governor-General is invested with the power to admit or reject such Legislation hereafter, so that a Bill like 'Haji's Coastal Shipping Reservation Bill' cannot be hereafter introduced into the Federal Legislature without the previous permission of the Governor-General. This is the progress we have made in the new Act in the direction of Self-Government. To-day, India stands alone in the civilised world in not possessing the rights of Coastal trade to her own indigenous Shipping.

CHAPTER VIII.

COAL.

England's eminence in the world's market arises from the fact of her wealth in Coal and Iron. And she has to pay for her imports of raw materials and food products through these commodities and articles made with them. Having only five weeks' food grown within her shores, she must import food for the rest of the year namely 47 weeks from abroad. Of this, however, more later. Coal and Iron lie at the back of British Exports. But even here Britain is receiving a set-back. The world's output of coal is 1200 million metric tons per annum and had been practically stationary for some time. But water-power and oil have been advancing rapidly. Whereas in 1913, 84 per cent of the energy required in the U. S. A. was derived from coal, in 1927 only 64 per cent owed its origin to it. The rapidly growing hydro-electric power in the world is a menace to the British Coal Industry. Italy uses hydro-electric power equivalent to the energy derived from over 10 million tons of coal per annum and to that extent, it largely represents a direct loss to British colliery

industry. When Mr. Thomas became a Minister of the Labour Government and was in charge of unemployment, he went about the world carrying with him a ship of the British Coal as a sample. He went to Canada begging her to take English Coal in preference to outside coal. But the Canadian people preferred to get their coal from Novascotia and New South Wales and Mr. Thomas returned to England disappointed.

It would be interesting to trace the treatment given to Coal in India and study the discrimination exercised in classifying Coal. *

"In his evidence before the Railways' Committee, Mr. Ghose repudiated the theory that first class coal was mostly in the hands of European firms and stated that the classification of coal appeared rather to depend upon whether the ownership of a colliery was European or Indian. He maintained that the same coal which in the possession of a European firm is treated as first class is described as second class if possessed by an Indian. He mentioned for example a colliery at Chatabar near Mugma which now belongs to Villiers Ltd., but formerly belonged to Kunja Bihari Chowdhary. It had changed hands between various Indian proprietors and so long as the property remained in Indian hands, Mr. Ghosh said nobody took the Coal but it is now accepted by the Mining Engineer as admiralty Coal."

* This information is taken from "Do they enjoy Privileges"—being. Reprint of articles from *Young India* 1931.

We are told by the writer of the Articles in Young India already referred to, the following interesting facts.

"The Railways in the days when they had no collieries of their own seldom purchased coal from Indian collieries on the plea that it was of an inferior kind. Now they consume their own coal which is in no way superior to Indian-owned coal.

"The Chief Sanitary officer on the Mines Board of Health is invariably a European, even though properly qualified Indians are available, simply because European collieries would not like to see an Indian in the post.

"The history of mineral prospecting in India is full of instances of preferential treatment accorded to European Companies. There is one particular instance in which an Indian made a geological survey of a certain area and submitted a report to the Government; and in the meantime all the best tracts were given away to European Companies.

"The best Government khas lands containing mica in Chota Nagpore are leased to Europeans who have sub-let them to Indian firms.

"When Europeans, even with all the assistance which the State readily gives them, find it difficult to compete with Indians on equal terms, they bring pressure to bear on the Government to pass some measure which will handicap their competitors. An instance in point is the Mica Bill forced through the Bihar Council in the teeth of popular opposition."

CHAPTER IX.

CURRENCY AND COINAGE.

It is the misfortune of India to suffer from want of a respectable Currency system. While all civilized countries are having a mono-metallic currency, the fate and fortunes of India have been subject to the vicissitudes arising from bi-metallism. So early as in 1903, Lord Curzon undertook to introduce Gold Currency and, as a preparation therefor, adopted what was called the Gold Exchange Standard, whereby the value of the rupee was reduced, and the profits so made were formed into a fund called the Gold Exchange Standard Reserve. This has grown into a huge amount, and together with the fiduciary reserve that must be maintained for paper currency amounts now to 235 crores of rupees, but the tragedy of it all is, that the money is kept in England and is used by the Secretary of State, in part at any rate, for loans to British trading firms at easy rates of 2 to 3 per cent on a fifteen days rotation. While the Government of India borrows at 4 to 6 per cent, it is extraordinary that it should allow its moneys to be lent out at 2 to 3 per cent in England and that, not for

the improvement of the Indian trade or commerce or industry, but for the promotion and propagation of British trade. It is thus that mercantile firms are able to borrow in England and bring all the spick-spacks and knick-knacks, and gew-gaws of England into this country where they show themselves as huge big firms with attractive premises in fashionable quarters and manage to sell them all to our countrymen at vast profits. Sir Daniel Hamilton had been for a decade advocating the transfer of this reserve to this country, but the great men that preside over the finance of India both at Whitehall and Delhi have sedulously opposed such a transfer. It is, however, gratifying to note that the latest Currency Commission, namely the Young Commission has recommended the transfer of this reserve to India, but the Government of India does not care to follow it. Sir Daniel Hamilton has discovered an extremely attractive use for this money. His proposal is very simple. 235 crores of money transferred to India may be made the nucleus of a Bank on the strength of which this All-India Bank may float debentures to the extent of three times its own value. The total money so raised would come to 940 crores. Out of this, he would keep 235 crores as Gold and Silver and Gilt-edged securities

which must always remain as the fluid resources of the Bank, while the 705 crores of the debentures are to be utilised as follows:—615 crores of rupees are to be spent upon the liquidation of the chronic indebtedness of the ryot on a long term basis, and there remains 87 crores, of which 20 crores is to go in aid of the Co-operative Movement, 15 crores for Municipal debentures, 20 crores for Railway development and the remaining 33 crores for combating, by suitable drainage schemes, the Malaria in Bengal, and by suitable irrigation schemes, the aridity of the Punjab, U. P. and C. P. and other provinces. The extra crops yielded will cover the interest on the debentures floated. It is thus that by a stroke of the pen, you can convert the ryot, bent down by debt, into a straight, erect, free and self-respecting citizen but that means the transfer of the money from England to India, and therefore, the deprivation of the English people of the aids to commerce which they now obtain at easy rates at the expense of India. But the most outrageous event that happened in this connection is to be met with in regard to Exchange with which we must deal separately.

EXCHANGE.

Till recently, it is well known that Exchange was fixed at 1 sh. 4 d. per rupee and all the 236 crores of India's reserve in England was built up at the rate of 15 rupees per sovereign but during the war, Exchange rose from 1 sh. 4 d. to 2 sh. 10 d. and in the immediate post-war period in 1922, we saw the extraordinary spectacle of Exchange being fixed at 2 sh. 10 d. and in a space of six weeks in 1922, the English people in India sent moneys through "reverse councils" to England aggregating to a sum of 120 crores. By paying Rs. 7–8–0 into the Treasury in India, they could, in those days, obtain a Sovereign in England; in other words, the Secretary of State sold at Rs. 7–8–0 per sovereign the money that he had laid by in former years at 15 rupees for the Sovereign. The result was that 60 crores were lost in six weeks and "unkind" critics described this outrageous proceeding on the part of the Indian and the British Governments as "legalised loot" and "organised brigandage". Every child knows how the raising of Exchange always helps imports and to that extent penalises exports. If you have a son in England or wish to import cloth from England you can, if the Exchange stands at 2 sh. 10 d. per rupee, pay down Rs. 7–8–0 into the Post Office and get

a Postal remittance order for one Sovereign payable in England. It is thus that the importer profits and for that very reason the exporter suffers a loss. Now to give an impetus to imports Government have raised the Exchange from 1 sh. 4 d. the pre-war rate, to 1 sh. 6 d. in 1925 and 1926 and it has proved the ruin of many a mercantile magnate in India in recent times. Why this Exchange should be manipulated in this manner palpably to the advantage of the British manufacturer and to the detriment of the Indian Agricultural population passes our comprehension. No explanation has been forthcoming beyond the obvious explanation that it suits the economic interests of England to play this kind of havoc with Indian interests. But the worst of these havocs took place in connection with the Textile industry which has already been described, while on the question of Currency and Exchange we have to point out that, together with the Railway rates and Tariffs, they form the key to foreign Trade in India. When the Bank of England took a three days' holiday from the 21st to 23rd September 1931, as a result of want of gold in its Coffers, England went off the gold standard and there was a general attempt on the part of the other nations to manipulate their exchange ratios so as to

make them favourable to those who would import the goods of those nations but when almost every nation tried the same trick, the same old level began to be maintained. It is as if each owner of the fields round about a reservoir bored holes into its bunds so as to drain off a greater quantity of water for himself. The first man might feel proud over his achievement, but his advantage is counterbalanced by a similar advantage taken by fellow-owners of lands round about. Thus it is that self-governing nations control their exchange. But in the case of India alone, she has no control over her exchange or currency and both are controlled and conditioned by Britain in Britain's interests. However that be, prior to the Government of India Act of 1935, the Central Legislative Assembly had jurisdiction over both exchange and currency. When, in 1928, the exchange was raised by statute from 18 d. per rupee, Government had to organize their forces strenuously and in the end obtained only a narrow victory.

But under the new Act, the Legislature is deprived of the power of fixing the weight of silver in the rupee or the gold in the sovereign or the fiduciary Reserve of silver and gold behind the currency notes in circulation. These powers are now entirely vested in the Reserve Bank on whose directorate there would

be only eight elected members out of a total of 15 directors, and even these eight will not have been elected until the end of the 5th year after the Bank was started, because every year from the end of the 1st year two nominated directors are, or are to be, replaced by two elected Directors. Moreover, in the compromise reached in 1927 on the subject of Reserve Bank between Sir Basil Blackett and the popular element in the Legislature, the strength of the elected directors was to be nine. Now it is to be only eight. Again, while the White Paper stated that the structure of the Bank might be amended by the Federal Legislature but not its functions, the J. P. C. Report, and following it, the Government of India Act, 1935 have laid down that neither the structure nor the functions of the Reserve Bank can be amended by the Federal Legislature except with the consent of the Governor-General. Thus the Reserve Bank is as much a close preserve as the Railway Board and to such a Reserve Bank complete control is given over exchange and currency. This is one of those safe-guards which are conceived wholly in the interests of Britain and British Trade in India, and there is little doubt that we have clearly lost pre-existing rights by the new Act so that the commercial and industrial supremacy of Britain may remain unaffected in this country for ever.

CHAPTER X.

POSTAGE AND CHEQUES.

We have stated that from Salt to the Army the administration of India has been regulated by a single-minded attention to British interests which means virtually British Commercial interests. We might have started with a still simpler item in that administration namely, the Post card. Very few people may have paused to examine why the post card is raised in value from 3 pies to 6 pies and 9 pies, the envelope from 6 pies to 1 anna and one and a quarter anna. The post card is really the luxury of the poor man. It is the simple instrument by means of which the poor in the country are able to acquaint one another with their welfare or illfare but it is no easy task to obtain or fill up a post card. In a District like Kistna having a population of one million and odd and one thousand villages, there are only forty post offices (while there are 800 toddy shops) so that one has to traverse several miles in order to get a post card and then, as 93 per cent of the population is illiterate, one has to engage the services of an amanuensis in order to fill the post card with the little

matter that one wants to convey and after all this, one has to travel an equal number of miles in order to post it, but the Government of India are not satisfied with these difficulties that confront the poor villager. They have raised the price of the post card by 100 per cent and then 200 per cent and any number of representations so far made in the Indian Legislative Assembly have failed to bring redress to the dumb, voiceless millions of India and the repeated reductions of the rate of the Post card by the Central Assembly have been nullified by the Governor-General certifying the old rate. But what do Government do in turn for the rich man? They have taken away the Stamp Duty upon cheques, and Bills of discount. The law had always held that every cheque should be stamped one anna, no matter what value the cheque was drawn for. Who profits by this remission? Certainly, it is the rich men of India, especially the European population who alone use cheques on a profuse scale. It is possible that a huge big firm makes use of 1000 cheques and Bills of Discount a day, which means the saving of 1000 annas or 62/8 rupees a day which comes to Rs. 1500/ in the month and Rs. 18,000 in the year. This again to the rich men in India is brought about by the sacrifice of the interests of the poor and the gain cannot be a small one

for the vast European population engaged in business who have always fought against two things in this country, Stamp Duty and Income-Tax. These constitute their main politics and they have succeeded in getting adequate redress in regard to one item out of the two.

CHAPTER XI.

BANKS AND INSURANCE COMPANIES.

There is a general notion prevalent that we are ruled in this country by Civilians and the Superintendents of Police. These estimable gentlemen are themselves innocent and though they appear to be the real authorities that hold the country under their heel, yet they are at best able to give you perhaps a couple of years' imprisonment for a seditious speech or a seditious article but the merchants, the bankers and the insurance agents are able to wreck your whole careers if they so chose. The mercantile interests of a tradesman are entirely in the hands of banks and there are occasions on which, when a small indigenous bank is sought to be started, the constituents of the local branch of the Imperial Bank are prevented from becoming, at first, share-holders, then, Directors, then office-bearers, and finally, constituents; nor does the Imperial Bank which Sir Basil Blackett claimed to be the Banker's Bank and which in his own words was prepared to lend a helping hand to all the younger banks in the country, render the

smallest assistance to these indigenous enterprises by way of any overdraft or accomodation. On one occasion a bank started and managed by the writer undertook to transfer all its pronotes worth about 8 lakhs of rupees as collateral securities and support them by means of a joint and several pronote by all the Directors of the Bank in their individual capacity and even in addition to these, pass a pronote in the name of the Bank itself all for the sake of a small over-draft of Rs. 25,000/-, but the Imperial Bank would not look at such a proposal. Repeated efforts have been made to get this small concession but all in vain. It is said that India loses 100 crores of rupees annually through banks and insurance companies while the loss through cloth is only 72 crores of rupees. An Englishman coming with his hands in his pockets and producing a Bill of Lading of goods consigned to India from England, gets an overdraft for the asking of it from the English banks in India but the Co-operative Movement having behind it 17,000 societies in the Madras Presidency organised on the Principle of unlimited liability and possessing about 1000 crores of rupees worth of property as a security is admitted with great difficulty to an overdraft of 54 lakhs of rupees over 31 Central Banks and one Apex Bank,*

* Figures for 1929.

and every day pin-pricks are administered to these banks by the Imperial Bank which lays down the period of a short term loan as 12 months, which prescribes a rule that the amount of money used up in the overdraft should be covered by the short term loans of the banks and which has now finally demanded that the collateral securities given for the overdraft should be not Co-operative pronotes but Government scrip. Imagine, all the while, the same bank extending tremendous facilities to registered and unregistered European firms in the form of overdrafts, ranging from 9 to 120 lakhs of rupees in the Mount Road of Madras. Verily, it cannot be contended that the Mount Road firms in Madras or those in Hornby Road in Bombay or the Chowrangee in Calcutta, or in the Mall in Lahore can offer any better security than the unlimited liability of the 17,000 societies in the Co-operative Movement, in each of these provinces. But this is only in the domain of Co-operation. Let us transfer ourselves to the region of commerce and industries. It is well known how mill after mill has come to grief by the advances made by the English Banks to them in their time of need. The Chittivalasa Jute Mills were given a loan of 13½ lakhs of rupees by the Imperial Bank of India and when the South Indian Industrials who owned it were

called upon to pay down the money and unable to do so within [the time limit of 7 days, the High Court of Madras ordered them to be wound up in a half an hour's time. They were purchased in open auction by a Calcutta Firm, Mcleod & Co. (?) The Carnatic Paper Mills of Rajahmundry were advanced 4½ lakhs under the Aid to Industries Act by the Madras Government and the Government played exactly the part of a banker in relation to these mills. They had the power under the Act either to get into possession of the Mills and work them or to bring them up for sale or to arrange for their management. When it was broadly rumoured that they were intending to make over the mills to a European Firm through an Indian Broker, the Madras Legislative Council raised a hue and cry with the result that another joint stock company was formed in order to take it over. In the meantime, for a small debt of 40,000 rupees a creditor succeeded in getting the mills ordered to be wound up in a five minutes' enquiry by the Madras High Court. It is gratifying to note that ultimately good sense prevailed and the mills have been saved from liquidation to the enterprise of the Indian financiers. Then we come to the Spinning and Weaving Mills of Bezwada which were constructed and worked at a cost of 6 lakhs of

rupees of which 3 lakhs were paid-up capital. The Indian Bank advanced one lakh and twenty thousand and the Imperial Bank thirty thousand to these Mills and although the Managing Director had most disinterestedly worked and daringly advanced a lakh and a half himself for the company, the Mills have had to be wound up on the 6th June this year (1929). Finally, the Sugar Mills of Masulipatam were advanced on the joint and several liability of the Directors who were well worth thirty times the loan, a sum of 30,000 rupees by the Imperial Bank and when the short term loan had to be shelled down, there arose the rub and in effect ultimately the mill had to be wound up for want of capital. The fact is that these English Banks or banks which are quasi-governmental feel that they have no obligation in respect of industrial development of the country and are largely concerned with the mobilisation of goods for purposes of export. Indeed, the Imperial Bank cannot under the Statute lend for more than 6 months. Such short term loans are good only for commerce, not industries. It is really strange that most of the exporting firms in India should be European Firms, Volcart Bros., the Rallys and so on and it is they that can negotiate help with exchange banks and the other banks in the country and an Indian Producer or exporter is

not able to do business on equal terms. When, by chance, someone pushes himself into the market, he is penalised in England where the banks and the clearing houses do not deal with him direct. This is how India is handicapped in her commerce and industries by the banks which render assistance mainly to European firms and European management and too when these banks advance moneys on produce loans they rightly insist upon insurance but till recently most of the insurance had to be done with foreign insurance companies to which the agents of the mofussil branches were the accredited agents as well. We are just now breaking off this tyranny on the question of Banking and the nepotism that prevails therein. We quote once again from the writer of the articles in "Young India" already referred to on the subject "Do they enjoy Privileges".

"In the field of Banking also the European has benefited from the fact of his belonging to the ruling race. The institution of banking, even foreign banking, was well established and flourishing in India long before the advent of the British in the country. But as the power of the East India Company grew, most of the foreign and inland trade of the country passed to the servants of the Company. This naturally ruined the indigenous Banker along with the indigenous trader, and enabled the foreign banker to gain an undeserved

foothold in the country and prosper unimpeded by native competition. Not only did the foreign bank grow upon the enforced ruin of its indigenous prototype but it also became a serious impediment to the growth of native trade and industry. It adopted from the beginning the policy of giving scanty patronage to Indian enterprises—a policy which has been continued to the present time. We shall only give a few instances.

"Lala Harkishanlal in his evidence before the Industrial Commission said that there was "a conspiracy set up with the determined object of destroying the banking of the Punjab, in which officials and non-officials joined, and made every possible effort and took every possible measure to destroy banking which would have really done immense good to the province and to outside......" In the course of the same evidence he said again:

"I also know that an application was made by *a European to an Anglo-Indian bank for loan* and he was *first asked to state that this loan would not benefit any Indian in any form or shape or any existing bank* in any form or shape: and he was told that if he assured them of that the loan would be negotiated, otherwise not."

"These quotations tell us of the state of affairs, as they were more than a decade ago i.e., (about 1921.) The situation has not changed since then. Important evidence was tendered before the Central Banking Enquiry Committee which went to show that the foreign

Exchange Banks discriminate against national businessmen in more ways than one. There were many specific and definite complaints made against the Exchange Banks by Indian merchants appearing before the Committee. Of these there was complete unanimity on one, namely, that, *in the matter of financing export and import trade, the Exchange Banks always differenciated between Indian and European firms.* Almost every commercial body that gave evidence before the Commitee made this charge against the Banks.

"There were other charges too. For instance, it was said that in response to enquiries made about Indian firms in foreign countries the *Exchange Banks often gave indifferent references as compared with reference given about European firms of even lower standing.* This would naturally give an unjustified advantage in foreign markets to competing European firms. Again, Indian merchants applying for loans are asked by these banks to submit their balance sheets audited by only those auditors of whom the banks approve. Furthermore, the foreign banks always insist upon the Indian merchants insuring with non-Indian firms for exports and imports which they finance.

"In spite of all this Exchange Banks have been allowed to possess a monopoly over the type of business they do. The Imperial Bank was debarred from engaging in Exchange business as it would be entrenching on the ground held by European Banks; while it is allowed to compete with Indian Joint Stock Banks although it is

a Banker's Bank and trades mostly with money deposited by the State and other public bodies.

The borrowing policy of the Government, combined with the assistance given to the Imperial Bank in opening its Branches throughout the country has virtually dealt a death-blow to indigenous Banking as carried on by the shroffs."

CHAPTER XII.

ELECTRICITY.

The problem of unemployment in England has compelled the English manufacturers and ministers to go out into the wide world in search of fresh fields and pastures new or shall we say "fresh marts and markets new." Having exhausted the bulk of the markets and the commodities of the older generation, they have now taken to the propagation of electric instruments and machinery. Government are very solicitous now about planting telephones almost in every town and connect one town with another but apart from this, in 1926 they had circularised all the Municipalities that they would give adequate help to them in the preparation of plans and estimates for the electrification of towns. This had gone on for some time. It was followed up however by a policy of a different nature altogether in less than two years. When the Municipalities like those of Cocanada, Rajahmundry, Bezwada, Kurnool and Coonoor, in the Madras Presidency, gave their contract to Indian firms who in turn obtained the machinery from German and American manufacturers, Government discovered that the British manufacturer was put

to loss and, therefore, they promulgated a new G. O. which emanated very conveniently from the Local-self government Department of the Madras Government to the effect that no tender for any electric machinery should be accepted by any Municipality except on the recommendation of the Government Electrical Inspector who of course was and is an Englishman. It is thus that Government manages to corner every Municipality depriving it of its inherent and statutory powers to dispose of its tenders and determine its contracts according to its discretion and judgment. Government who were at one time pursuing a policy of dumping the loan money for electricity upon the Municipalities long before the preliminaries were at all getting ready and thus exacting interest for two and three years on huge sums like three to four lakhs of rupees, began later to threaten to refuse to give the loan at all unless the tenders for electrical machinery were not disposed of suitably i.e. virtually to the interests of Britain. That is what it means in effect and this policy of the Madras Government was being praised to the skies by the Electrical Engineers of Calcutta assembled at a meeting in 1930 who telegraphed their congratulations and appreciation to the Madras Government.

We learn that the Calcutta Electric supply Corporation altered its Articles of Association to secure that the control of the Company shall remain in the hands of British subjects, and this precaution was pressed upon them by the Government of Bengal.

CHAPTER XIII.

MILITARY.

Finally, we come to the Military organisation of the country. The British are, like the other western nations, noted for their organising powers. It is said, and the complaint is often lodged against the Oriental nations, that they are wanting exactly in this organising capacity. Few perhaps know what precisely this organisation means. Organisation in times of peace is industrialism and organisation in times of war means militarism. We have seen how in the domain of industrialism, Britain is ruling India mainly to the exclusive advantage of British commercial and industrial interests. In the domain of militarism as well, it is but to be admitted that her policy would run on parallel lines. In India, the British Government now maintains 61,000 British troops and all these troops originally consist of boys between 17 and 24. They undergo their training at India's expense for a period of seven years and then when they become full-blown soldiers and just at that age when their value to the country as trained soldiers is greatest, they cease to be an asset to India. In fact, they are discharged

and are allowed to join the army in India or to obtain civil appointments in the Police or other departments in this country or go away to England so that the training given to these people who are essentially British soldiers and citizens is given wholly at India's expense but the enormity does not end there. Every one of these people used to be bought by India at a cost of £ 28–14 s. per capita. Thus India was paying to England for the 61,000 soldiers something like a million and a half pounds and this is not a payment made once for all in life but a fraction of it had to be renewed every year because new recruits from England would be coming over to India every year. This is the helpless position of India and this is how this country is exploited by England for the purposes of military organisation. We need hardly pause at the other disabilities imposed upon this country in that her sons are not allowed to become officers or admitted into the Engineering and Artillery sections. Strictly the point is not germane to our discussion; suffice it to say that only 91 out of the 3200 officers in India were Indians in 1929. We all know the sad fate which the recommendations of the Skeen Committee have met with, and the differences between India and England in regard to the reorganisation of the military affairs of this country seem to be centring

round the transfer of power over arms from Britain to India and control over the arms expenditure by the Indian ministers and the evacuation of the British army of occupation in India. The point to note is that apart from the political aspect of the problem, the economic problem behind it is nothing complimentary to English character.

CHAPTER XIV.

STORES AND MISCELLANEOUS MATTERS.

The greatest scandal however in regard to the economic exploitation of India relates to the purchase of stores. The whole Department is maintained in England and the recommendations of the stores Committee whose report was published sometime in 1920 remained practically a dead letter till recently. Time after time the question of the purchase of the stores has been raised in the Assembly but without any avail. To make a long story short, however, we must say that the recent rules (1929) enacted by the Government in regard to the purchase of stores are somewhat gratifying. Rules have been enacted (1929) prescribing that preference be given in making purchases to articles produced in India in the form of raw materials or manufactured in India through raw materials produced in India, then to articles manufactured in India from imported materials, next, to articles of foreign manufacture held in stock in India and fourthly to articles manufactured abroad. It is however laid down that lethal weapons and munitions of war, technical apparatus and other

stores required by the naval, military and air forces for which drawings, patterns, specifications or designs have been issued by the Admiralty, War Office, Air Ministry, Government of India or the Commander-in-Chief,—these shall be obtained by an indent on the Indian Stores Department in London unless they are available in India in accordance with the prescribed drawing, pattern, specification or design. In all these cases, however, there is a condition added that the quality should be equally good with that of the foreign articles and any variation from these rules can at once be justified on this basis. There is but one point of relief and that is, it is now definitely prescribed that the rupee tenders should be quoted for all these stores. Only very recently (1937) we have been told that the military authorities placed an order for mosquito curtains with a Cawnpore firm and for daggers with the Dayal Bagh concern.

Miscellaneous.

There are various other matters,—a study of which would reveal how the policy of Britain in India is to install the British merchants, producers, planters and industrialists in a position of vantage. The Story of Champaran and the 64 taxes that the European

planters were extracting from the helpless people is told in the History of the Congress. In Bengal, the oppression of the planters led to the indigo disturbances of 1859. And when Imperialism is concerned, the British Government in India does not hesitate to bring down its heavy hand of repression upon even Europeans. For as we have already seen, when on the death of the Bhonsle, the Fort of Nagpur was surrounded in 1854 and C. P. was annexed by the British, an European named Major Ouseley, a retired officer of the Bengal Establishment, who was on his way to Nagpur for the purpose of conducting the English correspondence of the widowed Ranis, was forthwith arrested and was released on his promise to quit the Nagpur Territory. In Bengal, Rev. Mr. Long was likewise fined and imprisoned by the High Court of Calcutta for translating into English a publication in Bengali exposing the high-handedness of the European planters. The Tea plantations of India had till recently been the monopoly of Europeans. When experiments were made in the earlier years in Assam and Kumaon in respect of Tea Plantations, the expenses were borne by Government. Seed was obtained from China and the Chinese system of culture was studied and Chinamen were brought into India in the first instance,—all at the expense of the Indian tax-payer and

in the end "Government made a gift of the industry as it were to men of their own race and gave them additional assistance in the shape of measures which virtually made slaves of those who went to work on the plantations. In Assam, a special law was enacted enabling the planters to arrest the labourers who were bound by a penal Contract and punished criminally for default of duty.

Again the Jute industry in Bengal has been virtually a monopoly of the Europeans and between 1915 and 1926 their profits is said to have aggregated to Rs. 30 crores. The administration is such that from the purchase of raw materials, coal and stores to Insurance and brokerage, all dealings are with Europeans. Even the standards of quality are so manipulated as to suit European interests".

CHAPTER XV.

COMMERCIAL SAFEGUARDS UNDER THE NEW ACT OF 1935.

It has already been stated that the key to British trade in India lies in the political power that it has established in the country,—and through it the control that it has obtained over (1) Railway rates, (2) Currency, (3) Exchange and (4) Tariffs. We have dealt with the first three items in the different chapters to which they are relevant. We have yet to deal with the question of Tariffs. The Joint Parliamentary Committee of 1919 had made a great show in connection with the Montford Reforms, of the Fiscal autonomy that they conferred upon India. It was then laid down that where the Central Legislature and the Central Government were in agreement, India was free to impose its own tariffs provided they were not injurious to the interests of the British Empire. This small mercy was aclaimed at the time by the Moderates as a great advance and as a real step towards Dominion Status, but the truth of the matter has been nakedly revealed in the evolution of Indian

polity under the Government of India Act of 1935.

I. Equality of Trading Rights.

We have now to refer to some of the provisions in the Government of India Act of 1935 on the question of British trading rights in India, but before we take up these provisions, we feel that a review of the pre-existing position on the question of EQUALITY OF TRADING RIGHTS would form a fitting preliminary, and we cannot do better than giving a long extract from the pen of Sjt. Gaganvihari L. Mehta, M.A. taken from a reprint of his contribution to the issue of April 1931 of the Modern Review and since reprinted as a pamphlet.

"What is described as the claim for equality of trading rights between Indian and British interests in India is only the latest phase of the demand for statutory safe-guards against discriminatory legislation, of which we heard so much, when the Statutory commission was here. It is necessary therefore to trace the origin and history of this agitation in order to comprehend adequately its full implications. The protest of the British commercial community against economic discrimination and their demand for safeguards against such legislation had their origin in what is known as the

Indian Coastal Traffic Bill. It will be remembered that in 1928 the Associated Chambers of Commerce of India and Ceylon issued a memorandum, in which they expressed great concern at the tendency shown by Indian politicians to introduce legislation discriminating against British commercial interests in India and urged that the Indian Legislature should not be in a position to discriminate legislatively or financially on racial grounds. Later, the All-Parties Report on the constitutional question, commonly known as the Nehru Report, considered this matter and declared that:

'As regards European commerce, we cannot see why men who have put great sums of money into India should at all be nervous. It is inconceivable that there can be any discriminating legislation against any community doing business lawfully in India.'

"The question was soon after debated in the Legislative Assembly. When the motion to refer the Indian Coastal Traffic Bill to a Select Committee came up in September 1928, the representatives of the Associated Chambers, Pandit Motilal Nehru and other speakers dealt exhaustively with this subject.

"The question was again discussed in the annual meeting of the Associated Chambers in December 1928. But it was in July 1929 that the Associated Chambers addressed a communication which was meant for the Statutory Commission and was widely circulated among members of Parliament and commercial bodies in England. The Associated Chambers reiterated therein the

demands for constitutional safeguards against discriminatory legislation which they had urged before the Statutory Commission and instanced the Coastal Reservation Bill as an illustration of such legislation. Within about two months, in October 1929, the Federation of Indian Chambers of Commerce and Industry issued a rejoinder in reply to the statement of the Associated Chambers, in which the Federation made it clear that "there can be no self-government in India if she is to be denied the power to devise and follow a national economic policy, including the right, if her interests required it, of making economic discrimination against non-national interests." Thereafter, the agitation for statutory safeguards persisted, and in July 1930 the Associated Chambers again came forward with a circular on the subject of discriminatory legislation. The Statutory Commission definitely ruled out the proposal to prevent discriminatory legislation by attempting to define it in a constitutional instrument. (Vide PP. 129-30, Vol. II).

"Last year (1930) when the Round Table Conference was convened, the European commercial bodies modified the form of their demand and suggested that there should be an understanding or trade convention ensuring equality of status between European and Indian commercial communities trading in india. This was insisted on as a condition precedent for the grant of responsibility in the Central Government by the non-official European representatives and the Conservative and Liberal delegates to the Round Table Conference.

The Government of India's despatch on the Statutory Commission's report also deals with this aspect of the matter and supports the claim for statutory safeguards against discriminating legislation.

"In January last(1931), the Minorities Sub-Committee of the Round Table Conference adopted Clause 14 by which the representatives agreed that there should be no discrimination between the rights of the British mercantile community and the rights of Indian-born subjects and a convention to this effect should be drawn up." The controversy that arose in the press and on platform as a result of this agreement is too recent to need any detailed reference.

"Now what is exactly the nature of this demand? The European commercial community demands that certain statutory safeguards or guarantees should be provided in the new constitution against discriminatory legislation. It is rather curious that except for citing the instance of the Coastal Reservation Bill, there is no attempt to define precisely the term "discriminatory legislation" or "economic discrimination" nor is there any clear enunciation of the nature of the safeguards required. Obviously, much will depend upon how these safeguards are defined and what their scope and implications are. Even the Statutory Commission, composed as it was entirely of Englishmen, naturally sympathetic to the demands of the European mercantile interests, was unable to devise a formula that could be embodied in the statute for safeguarding non-Indian interests.

They carefully considered the drafts of clauses submitted by the European commercial bodies providing for constitutional safeguards against legislation which discriminates against certain communities in matters of taxation, trade or commerce. But they ruled out the possibility of securing protection by these means, because such statutory protection could not be limited to particular minorities or to discrimination in matters of trade and commerce only. "The statutory provision would therefore," the Commission concluded, "have to be drawn so widely as to be little more than a statement of abstract principle affording no precise guidance to courts."

"The final draft that was agreed to at the First London Conference 1930 by the Sub-Committee No. III (Minorities) and adopted by the Committee of the whole Conference with the notable exception of Mr. Jinnah, was as follows:—

"At the instance of the British commercial community, the principle was generally agreed that there should be no discrimination between the rights of the British mercantile community, firms and companies trading in India and the rights of Indian-born subjects, and that an appropriate convention based on reciprocity should be entered into for the purpose of regulating these rights."

"It was agreed that the existing rights of the European community in India in regard to criminal trials should be maintained."

"Now let us examine the implications of the agreement. In the first place, not unfair or unwarranted, but any sort of discrimination IN THE MATTER OF TRADING RIGHTS ALONE is ruled out. Racial discrimination against Indians in the matter of jury-trial or other privileges or preferential treatment in jails or railways is to continue. Such a safeguard cannot be limited to commerce or trade only and applied solely in the interests of Europeans. Secondly, no sort of discrimination is to be permitted in the sphere of trade even if such discrimination is a means to establishing the paramountcy of Indian interests and is required in national interests. If a State Railway insists on purchase of coal from Indian collieries, would it be discrimination? If the Stores Department gives preference to Swadeshi goods even at a sacrifice, will that constitute discrimination? Supposing a Provincial Government wants to buy over a European-owned public utility company but has no objection to an Indian company existing, will that be classed as discrimination? Would the Government under the proposed agreement be able to impose restrictions on non-Indian exchange banks and insurance companies if it considered them necessary in national interests or cancel or refuse renewal of licenses for mines, plantations and forests given to non-Indians wherever the conditions of such licenses detrimental to Indian interests? It is conceivable that such restrictions might conflict with the existing rights of non-Indians residing in India and might affect their

future rights, but if they are desirable in India's interests, there is no reason for not imposing them. For the definition of what constitutes discrimination will depend on what interpretation we give to the term 'right.' Have Britishers, for example, the undisputed 'right' to monopolize and dominate certain spheres of trade and industry or the "right" to eliminate and annihilate Indian industries in their own country? If these rights are themselves privileges based on discrimination against Indians in the past and at present, they have moral justification; and if these rights are claimed on a basis of equality with Indian fellow-subjects, what is the RAISON D' ETRE of demanding special prerogatives in criminal trials? You cannot be fellow-citizens in one case and a superior race in the other. Moreover, it is not merely the existing rights of the British community for all time to come. This point was strongly insisted upon by Lord Reading and Sir Hubert Carr, the former of whom emphasized that their agreement about responsibility at the centre was conditional upon this clause being adopted and the latter of whom frankly stated that their commercial rights were not open to negotiation. Nevertheless, the Indian delegates agreed to barter away essential conditions of economic freedom for comparatively less important constitutional concessions. Even the demand of some of the Indian delegates that, in certain basic and key-industries, the Government must be left the right to discriminate, was ignored and has nowhere been provided for in the clause as finally adopted. However, it is

doubtful, if even such a circumscribed right would be useful in the absence of any definition of a key-industry. It is not a question of protecting this or that industry or enterprise. What is fundamentally objectionable is the constitutional restriction on the inherent right of an Indian legislature to pursue whatever policy it considers desirable and essential.

"In the second place, it is noteworthy that the agreement is not restricted to companies or firms registered in India. Whether the company is registered in India or not, and even if it is registered in England or South Africa, or if it is a British firm established outside the British Empire but is only trading in India, no discrimination is possible against it. There are about 821 companies with paid-up capital aggregating £ 568,068,672 which are registered elsewhere than in India but are working in British India. But the Government of India have already acknowledged and acted upon the principle of discrimination in giving State-aid to industries, such as bounties, or similar definite pecuniary assistance where specific restrictions are imposed to safeguard Indian interests. For instance, Section 5 of the Steel Industry Protection Act of 1924 laid down that in the case of incorporated companies, such companies should be registered under the Indian Companies Act of 1913 with rupee capital, that a reasonable proportion of the directorate should be Indian and that facilities for the technical training of apprentices should be provided. Similarly, when the Indian Radio Telegraph Company

had to obtain a licence from the Government, the Government laid-down in their agreement with the Company that sixty per cent of the new capital should be reserved for Indians. In the matter of subsidizing civil aviation also, the Government have approved and adopted the principle of reserving a majority of the share capital and directorate for Indians. The External Capital Committee, in fact, approved of the imposition of similar stipulations to safeguard Indian interests. It is conceivable that all such stipulations and safeguards would be rendered impossible under the terms of the Round Table Agreement as they might be construed as racial discrimination. This agreement, therefore, constitutes a distinct step backward.

"In the third place, it is evident that all measures of protection are in a sense discriminatory because they seek to safeguard on a basis of differentiation whether the discrimination is practised through the manipulation of tariffs and bounties or through special legislative measures. It is, however, contended that while such protective measures as tariffs are unobjectionable in principle, economic discrimination against non-Indian industries established in this country is obnoxious. But in considering this question, there are several issues which must be emphasized. In the first place, we must investigate the process and methods by which such industries came to be established through discrimination against Indian interests, then to that extent the claim for perpetuation of such vested rights is weakened.

Now there is no doubt that the political domination of India has been the principal cause of the establishment of industries controlled and managed by non-Indians. In oil, jute, coal, shipping, banking, insurance and several other spheres, the non-Indian interests have been able to succeed and dominate with the active sympathy and support of the Government of the land. We all know the saying that trade follows the flag; and it is the political power of which the flag is the symbol that so often builds up economic control, just as it is the peaceful penetration of traders which paves the way for political domination. It is, therefore, only an accident that these industries happen to be geographically located in India, because otherwise they are alien in every sense of the term as evinced by the case of the oil industry. After all, in this matter, we must also examine the aim of protective measures. Tariffs are imposed for the promotion of national industries, but if it is found that foreign interests taking advantage of a tariff wall come to a country and seek to exterminate national enterprises, is it not the duty of the State to safeguard them? On this question, it is interesting to consider the opinion of Sir William Clark, a Commerce Member of the Government of India, who, speaking in 1916 on the resolution which led to the appointment of the Industrial Commission observed that "the building up of industries where the CAPITAL, CONTROL AND MANAGEMENT SHOULD BE IN THE HANDS OF INDIANS is the special object we all have in view." He further deprecated the taking of any steps which might "merely mean that the

manufacturer who now competes with you from a distance would transfer his activities to India and compete with you within your boundaries." The mere constitutional right to impose tariffs does not connote fiscal autonomy of which it is but an element. The power to legislate and tax so as to promote national industries and to regulate trade and industry, tariff and transport in national interests constitutes fiscal autonomy. This would, of course, include the right to levy differential duties on the industries owned and managed by Indians and non-Indians and to devise and enforce such measures as reservation of coastal or inland waterways to Indians or the right to exclude non-Indians from certain spheres of economic operation like banking and insurance. India is deprived of such autonomy by the Round Table agreement. Now this is no imaginary danger. Recent experience in India shows that high tariffs by themselves are not an adequate protection: foreign capital by establishing itself within the country competes with Indian-owned concerns by unfair means. The match industry is an instance in point, while Lancashire contemplates the establishment of cotton mills in India and the Government of the country must have power to safeguard national concerns in such cases. There is no possibility of developing national industries in India if India lies prostrate under the shackles of foreign economic control.

'Two replies to this line of argument which have been urged by some of the Indian

delegates might be briefly considered here. To begin with, emphasis is laid on the term "generally" and it is claimed that the formula is designed to prevent only wholesale discrimination. But the question is not one of the EXTENT of discrimination but of the RIGHT of discrimination. It is possible that, in certain spheres, discrimination may be unnecessary or harmful but that is no ground for fettering the right of the Indian legislature from its very inception. Secondly, it is contended that the formula arrived at lays down only the general principle while the details are to be worked out on a basis of reciprocity through a trade convention. But it is of little use to seek to regulate commercial relations between England and India after having sacrificed the fundamental principle and after agreeing to limit the powers of the future Indian Government for the sake of British interests. Nor can the proposal of reciprocity bear scrutiny. Reciprocity as a basis between England and India is preposterous, because we cannot balance the interests of half-a-dozen Indians residing in Great Britain with the enormous interests of the British people in India, and because England being in a much more advanced stage of economic and industrial development, the privilege of Indians to start industrial enterprises in England is a joke for which its perpetrators

deserve some recognition, but not to the extent of the unhampered right to exploit Indian resources for an unlimited period of time which they demand.

"All countries have the right to discriminate or differentiate between nationals and non-nationals and to reserve certain domestic spheres of trade for nationals. It is the policy of nations generally to reserve for their own citizens certain rights and privileges which for one reason or another are not extended to aliens.

For example, it has been the policy of the United States for over a century to reserve the coasting trade exclusively for vessels of its own citizens. When, therefore, national treatment is pledged in their commercial treaties in terms sufficiently broad to cover this trade, a provision is introduced expressly excepting coast-wise shipping. In addition to coasting trade and national fisheries, discriminatory treatment in favour of a country's own nationals is provided for in commercial treaties with reference to acquisition and possession of the soil, particularly in agricultural districts, and to the practice of certain professions and trades. France, Germany, Italy, Denmark, Chile, Roumania have all got definite restrictions on the activities of foreign concerns and lay down specific rules for the purpose. In Roumania, it has been provided that "Companies operating in Roumania must have two-thirds of the capital in Roumanian hands, and three-quarters of the directors must be Roumanian nationals." This is in accordance with the general

trend of Roumanian legislation which aims at "Roumanianizing" industry. In China, Greece, Chile, etc., there are laws against granting mineral concessions to foreigners. In 1923 France forbade the acquisition of property by a foreigner. Even in the British Empire, free trade England does not permit a foreigner to be a proprietor, in part or whole, of a British ship under the Merchant Shipping Act of 1894 which reserves certain rights in regard to British ships for natural born and naturalized British subjects only. British Columbia forbids registration of a non-national Company for the construction and working of railways or for carrying on the business of banking or insurance of any trust within the meaning of the Trust Companies Act. Section 8 of the War Precautions Repeal Act (1921) of Australia provides that no company in which more than one-third of shares are held by foreigners shall acquire any mine or interest or metallurgical business. Section 2 of the same Act prohibits any foreigner from acquiring shares without the permission of the Treasurer. The fact is, that the British Commonwealth itself provides numerous instances of a discriminatory policy and British Dominions exercise discrimination not only against foreigners but also against other members of the Empire. In the matter of immigration, franchise, trading licence and the right to hold property, British subjects can be and are treated differentially in a Dominion. But this is not all. Section 26 (1) of the British Nationality and Status of Aliens Act 1914–22 commonly known as the Imperial Nationality Act specifically lays down that nothing in

that act shall prevent the legislature or the Government of a British possession "from treating differently different classes of British subjects." Hence, while in India, safeguards are being demanded against discrimination, the very right of legislative discrimination has been carefully safeguarded by an imperial statute. It is, therefore, not true that all British subjects enjoy any social or political rights simply by virtue of their nationality as is claimed by the British commercial community in India.

"The imposition of such restrictions on those who have had the unfettered right to exploit hitherto and have taken advantage of the open door policy might involve inconvenience and loss to existing interests; but that is inevitable. For instance, the Kueminatang or the Nationalist Party of China declared that "no foreigners will be permitted to own property, open banks or issue bank-notes unless in accordance with Chinese law, custom and usage;" and the Nationalist Government has excluded foreign shipping from coastal and inland water-routes within a year of the passage of the measure. Last year, the Chinese Minister of Foreign Affairs appreciated the efforts for the rendition of Chinese shipping rights and said that the Nationalist Government "would exert every effort to take back these rights from foreign merchants."

The political aspect of this demand is not less important. The position of the British commercial community on this question is not quite consistent.

Sometimes the Britishers claim their rights as a minority community of India—a weak, unprotected, powerless minority as it is. On the other occasions, they demand their rights owing to their race and their stake in the land they live in. Still on other occasions, they claim that they are fellow-subjects of the same Empire and must have the same rights. Now it is evident that it is not the rights of a minority that they demand, but the continuance of the privileges of a ruling race. No communal minority in India has yet demanded the right to be tried by members of its own race; no minority has attempted to fetter the constitution by safeguards against discrimination. The British demand their rights as nationals of England, not as nationals of India. Indeed, they are so conscious of their non-national character that, when demanding protection for oil industry, they could not characterize it as anything more than an indigenous industry. It is obvious that the special rights enjoyed by Britishers in this country are due not to their being a minority community at all, but to their racial affinity with the governing caste who regard this economic garrison as a counterpart of military occupation. To demand equality in the face of the fundamental inequalities that exist between Indians and Europeans is, hence, simply preposterous. But it is something to the good that Britishers in this country who have thrived on racial inequalities are constrained to protest vehemently even against the faintest hint of preferential treatment for the children of the soil, when they

perceive the possible effects of such a policy on their own interests.

"To ask for the continuance of the privileged position and favoured treatment in the shape of statutory guarantee or trade convention is simply to demand capitulations from a self-governing India. It is not necessary to dilate at length on the odious history of these capitulations, which were so offensive and humiliating that all countries such as Egypt, Persia, China and Turkey where they existed, revolted against them with all their strength, and the European countries have had to forego them. Such judicial, economic and commercial privileges granted to foreigners often at the point of the bayonet are similar to the safeguards and "equality of status" demanded in this country. In China, for instance, foreign interests were protected by "unequal treaties" whose abolition was demanded to restore equality of conditions: here unequal rights are sought to be perpetuated by a commercial treaty or trade convention. The Kueminatang's first demand, therefore, was that "all present treaties not based on the principle of equality between China and any foreign power should be abrogated including those providing for extra-territorial rights of foreign nationals" and promised most-favoured nation treatment to any nation which voluntarily relinquished its special privileges. Similarly in Turkey, the National Pact of 1920 observes:

"It is a fundamental condition of our life and continued existence that we, like every country, should

enjoy complete independence and liberty in the matter of assuring the means of our development in order that our national and economic development should be rendered possible and that it should be possible to conduct affairs in the form of a more up-to-date regular administration. For this reason, we are opposed to restrictions, inimical to our development in political, judicial financial and other matters."

"Safeguards and guarantees such as are demanded by the British commercial community would, like extra-territoriality or capitulations, be derogatory to national dignity. Whatever the differences in form between them and capitulations strictly so called, they would in practice operate as a restriction on the territorial and administrative sovereignty of India and would in some cases throw the economic machinery out of gear; they might further be utilized by foreigners to erect barriers against India's economic independence and development. We want not the substitution of economic bondage for constitutional irresponsibility, but the simple and unconditional abolition of all economic and political restrictions in the life of the nation while giving adequate protection to legitimate foreign interests.

"What the Europeans in this country are entitled to obtain and will obtain under the new constitution are their legitimate rights like any other non-nationals. If, however, they desire to obtain more, they should be prepared to become the nationals and citizens on terms and conditions to be laid down by the future parliament of

India. Now we are told that "the root of the matter was really whether all subjects of the Empire were to receive the same treatment in India." The reply is two-fold. Were such statutory guarantees made a preliminary condition before conceding Dominion status or full responsible government to any of the component parts of the British Empire? In no Dominion have such safeguards been provided against discriminatory measures. It is, therefore, objectionable in principle and detrimental to national interests to fetter the constitution of India and limit the sovereignty of the Swaraj Government."

II. Indo-British Trade Agreement.

A curious development in the history of these safeguards is the signing of the Indo-British Trade agreement long before even the skeleton of the Act was ready. Indeed such an agreement was foreshadowed by the Sub-committee No III at the very first R. T. C. in 1930. The very first proposals of the British Government incorporated in the White Paper administrated such an agreement and before the Act was passed in June 1935, an agreement called the Indo-British Trade agreement was signed on 10–1–35 by Sir B. N. Mitra as High Commissioner of India sitting in one room in the White Hall acting for India and Sir Walter

Runciman on behalf of His majesty's Government in the United Kingdom sitting in the adjoining room of the White Hall. While the latter had the authority of the Parliament, the former acted under the behests of the Governor-General without even consulting the Central Legislature. The Indo-British Trade Agreement is published as appendix A, and a study of it shows how its provisions are anticipatory ~~in~~ every detail of the Commercial safeguards incorporated in the Government of India Act of 1935. That is to say, India is bound down by agreements under bureaucratic compulsion while yet measures embodied therein are paraded as proposals waiting to be considered and passed by Parliament.

III. Commercial Safeguards.

The later history of the Tariff policy in India and of the Commercial safeguards that are woven into the texture of the Act is briefly told. The Act empowers the Governor-General to prevent any action which would subject goods of the United kingdom imported into India to discriminatory or penal treatment. That is to say, the Central Legislature is free to impose any tariffs provided, however, that thereby the prices of goods manufactured in the United kingdom and imported into India

shall not need to be higher than those of corresponding goods manufactured in India. When such tariffs are being proposed, any citizen of the United kingdom has the right to be heard by the Tariff Board and later when such tariffs are imposed by an Act, any citizen of United kingdom can file a suit before the Federal Court in India urging it to set aside any legislation as unconstitutional on the ground that it has contravened the aforesaid provision. Again, no matter what conditions or requirements the Federal Law or Provincial Law may enact relating to the place of incorporation of a Company or the situation of its Registered office or the Currency in which its capital is expressed or the place of birth, race, descent, language, religion, domicile residence or duration of residence of members of the Governing body of the company or of the holders of its shares stocks, debentures, or of its officers, agents or servants, and company, incorporated whether before or after the passing of the Act under the laws of the United Kingdom, shall be deemed to comply with such requirements. Again, such companies shall be eligible for any grant, bounty or subsidy from the Indian Government in equal measure with the companies incorporated under the laws of British India. There is a curious proviso to this, which is in the nature of a reciprocity clause,

but it is farcical if it is not fraudulent, for it says that this sub-section shall not apply in relation to any grant, bounty or subsidy, if under the law of the United Kingdom, companies incorporated in India and carrying on business in the United Kingdom are not equally eligible with companies incorporated in the United Kingdom for a similar benefit payable from the British Revenues. Fancy, an Indian Company going from India to England and carrying on business and there claiming a bounty payable to a British company—a contingency altogether inconceivable. Verily, this is mockery and nothing else. Finally, it has been laid down that no ship in the United Kingdom shall be subject to any treatment in India affecting either the ship herself or her master, officers, crew, passengers or cargo which is discriminatory in favour of ships registered in British India. And here too, there is a reciprocity clause of a similar nature to the one already quoted and equally ludicrous. It will be thus seen that England has obtained a strangle hold on the life of India by virtually "reserving" to herself all rights over railway rates, exchange, currency and tariffs, and thus controlling Indian trade so as to put down its competitive character against that of the United Kingdom.

CHAPTER XVI.

CONCLUSION.

We have thus made an endeavour to show how, almost in every branch of the Indian administration, the British people and the British Government are actuated by an identical economic policy. Government merely lend cover to Trade and Industries, using their power, authority and influence for the furtherance of British interests in India. England has no use for India unless India provides a suitable market for the English goods. The English goods have been driven out from market after market.

How her own coal industry has suffered has been shown. In the domain of iron, desperate efforts are being made to replace iron by arched bridges of cement concrete structures. The efforts of the English people to obtain preference for English goods on the principle of Imperial Preference did not succeed at all with the Canadians. Keen disappointment was expressed in Lancashire at the report from Ottawa—that the Canadian Tariff Board had decided to recommend no change in the existing rule requiring that imports to be entitled

to the benefit of Imperial Preference must consist of at least 50 per cent British National Labour. It had been generally hoped in Lancashire that some modification would be recommended, even if the former 25 per cent figure was not restored. Lancashire was supported by representative Canadian consumers and importers of raw-cotton yarn, but opposed by textile manufacturers, who contended that ample supplies of Empire-grown cotton was available for Lancashire. Meanwhile, Lancashire manufacturers were bemoaning the fact that India's tariff had been raised against Lancashire more than once in recent years. Australia has now raised the tariff on certain goods, and Canada apparently does not propose to take the step wherefrom much was hoped. While affairs stand thus, England is obliged to negotiate with Sōviet Russia, a step which it had despised so long. It is not widely known in India that 84 representatives of 1500 British firms had gone to Russia in 1929 representing a capital of 700 million sovereigns in order to study the Soviet markets and resume commercial relations with the much condemned Soviet Republic. It is the representations made by these people of the orderliness and regularity of the markets in Russia that had led the Labour Government in England to resume diplomatic relations with that country so that

to-day we see exchange of ambassadors between Russia and England after the abuses and atrocities heaped by them upon each other. England has thus come to a desperate position in regard to its national life. Its commerce has been disorganised. Its victory in the war has only brought unemployment to its population. France which was formerly buying its engines, its coal and its iron from England was getting them free of all cost from Germany on account of the reparations due to her. Thus, while Germany, the vanquished country, was dinning with the roar of work day and night and having no unemployment whatever, England lost its markets in Finance and was suffering from the evils of victory. There is a general boycott of British goods and specially British cloth in China, Persia, Afghanistan, Arabia, Iraq and Egypt, and the British Cotton piece-goods exported to China fell from 587.3 million yards in 1909–13 to 69.4 million yards in 1930. The latest Message from Palestine (July 1937) states that the Arabs resenting the proposed Partition of Palestine are organizing a huge anti-British boycott from one end of the country to the other.

The story of England's decline in trade in India may be illustrated by a few figures. While England exported 40 per cent of her

cloth and 63 per cent of her yarn to India in 1913, she exported only 20 percent of her cloth and 19.5 per cent of her yarn to India in 1931. A Reuter's Message dated 8th June 1937 states that the "need" for Government action to preserve the overseas market for the Lancashire Cotton industry so long as the present system of bi-lateral trade bargaining continues was stressed in a survey of the present position and prospects of the industry published by the Joint Committee of the Cotton Trade organizations. The need was also stressed for giving facilities for internal reorganisation with a view to strengthening their competitive ability in the export trade.

It is stated that more might be done by the Government with reference to Indian trade, though it is emphasised that Lancashire asks no special consideration from India, but only a reasonable opportunity to compete with local and foreign producers. It is pointed out that the loss of 85 per cent of the Indian market has been the biggest factor in the industry's decline, though the industry was largely built up to serve India. The view is expressed that the British Government must share the responsibility for the effects of Imperial policy on the Cotton trade. In this connection, we extract the following article from the columns of the

Sunday Times, Madras, dated 27–6–37 which has relation to the Indo-British Trade negotiations now going on in England (July 1937)

"British capitalists have decided to make a determined effort to get the most advantageous terms in the impending trade agreement with India.

"And for that purpose, they have brought their biggest gun into operation, the Federation of British Industries, an institution which more or less dictates the trade policy in Britain.

Its entry into the arena is, therefore, almost ominous; and the final agreement may be a case of "Heads we win, and tails you lose", unless Delhi puts up a strong fight.

"Of course in the last resort, Delhi is a subordinate branch of the Imperial Government. Consequently the final decision will rest entirely with Whitehall. Yet, Delhi can do a lot by pointing out how the agreement does not end with the affixing of signatures in London... that it has to be implemented in India.

Whitehall may ask that the veto of the Assembly should be countermanded by some resort to certification; but that will only take the horse to the brink of water. It cannot get the same to drink.

"And if the next Ottawa is to be forced on unwilling India, Britain has also to reckon with the Provincial administrations. Even Huqs and Sikandar

Khans will be no parties to any one-sided bargain; and if the Ministers be so inclined, they can easily make the position of British trade more difficult than Delhi can facilitate.

"India looks to Delhi to put forward all these points at the negotiations; and coupled with it, there is the cogent case why Britain should, in her own interests, reverse her trade policy with India.

"So far, India's exports to Britain have been less than the imports......so that every year, Britain has been enjoying a large balance in her trade with this country.

"And that has been a unique phenomenon, because Britain's total trade always leaves an adverse balance; in other words, she makes at India's expense what she loses in other countries. The rest of the Empire is of little use to her in that respect.

"India could so far oblige her in that respect because she enjoyed a large balance of trade with other countries. In other words, because of her exceptionally strong natural position, she sent out more goods than was necessary for her trade with others so that she could buy an unusually large quantity of British goods and also find the money to meet her annual obligations in London. That was a very unfortunate economic position involving directly or indirectly a progressive impoverishment of the country.

"Now, even if India wills, she cannot help Britain in that fashion. For, her balance of trade with

other nations has been cut down, so that she is being hard put to it to meet her London obligations. So, if Britain expects her to find room for a still larger quantity of exports, she has either to take more of Indian goods, which she has found by experience to be no easy task, or forego the annual payments in London. There is no alternative.

"How the London capitalists manage to overlook these hard facts, one cannot make out. Perhaps, they think that once India is forced to take more of British goods she will somehow manage to find the money. Such a mentality can only hasten the clash and disaster. For, assuming that India can be forced to take more goods, the result will be a series of financial adjustments such as more borrowings in London until the time comes when London will decline to lend and India forced to stop payment.

"Very likely, the present crusade in London will not give even such a temporary fillip to British trade. For, Britain may soon be forced to the conclusion that coercion can no longer pay in economic matters and by forcing too harsh terms on India she has further weakened her trade. For, the resulting resentment in India cannot but have its own repercussions; and even if the protest should not crystalise into a definite boycott movement, British goods will find still fewer buyers.

"There is, however, one very helpful factor, which London bosses seems to have ignored for the moment.

"If Whitehall falls in with the capitalist plan, and persists in her tariff ring with India, her largest customer, she must give up all hopes of having any trade agreements with most other nations, notably America and Germany. Both of them have given Whitehall explicitly to understand that, unless Ottawa is scraped, they can have no negotiations with her. Can she afford to ignore that ultimatum? And what will be the compensation? It is here that Delhi can be most helpful... by asking Whitehall not to count on any measures to coerce India into favouring British goods. Such coercion will be to her disadvantage everywhere, in India as well as in non-Empire countries."

The fact is that every side, the English position has become unenviable and if to-day the English statesmen are anxious to make peace with India offering a sort of Dominion Status to this country, it is as much in the interests of England as it affects to be in the interests of India. The Indian public are not generally acquainted with these various details each of which deserves a chapter by itself involving laborious study, but an attempt has been made in the foregoing paragraphs in order to portray the exact method by means of which, from day to day and hour to hour, Indian exploitation by Britain is going on in the commercial and industrial activities in India; and it is hoped that a foretaste thus given may

stimulate attention to this subject of perennial interest and unfathomable depths, in the larger body of Indian politicians. Only a passing reference has been made to the British Policy in India regarding cloth.* A full study forms a volume by itself. But let us hope that as Captain Benn has said "the idea of exploitation of India in British interest has gone and that it is past and done with".

If Britian, however, has nearly lost her Empire in cloth in India, she is fast establishing an Empire in machinery. Laterly, electricity is being greatly popularised. The British Empire occupies ¼ of the world surface and contains ¼ of the world's population. The British Empire's share of the total world production of the various foodstuffs and raw materials is 22 per cent of wheat, 43 per cent of tin, 44 per cent of wool, 52 per cent of rice, 58 per cent of rubber, 71 per cent of gold, 88 per cent of nickel and 99 per cent of jute. Yet, England which, as has already been pointed out, raises only 5 weeks' food within its shores has to depend upon the various parts of the Empire for its food materials and various non-empire countries as well. Till recently, England has to get its wheat from Russia and

* See brochure on Khaddar by the author. G. A. Natesan & Co., Madras.

for bacon and dairy products of all kinds, she is still largely dependent upon Denmark. She has to get her milk and milk products from Holland and Belgium, Coffee from Ceylon, tea and rice from India. And to pay for all these commodities, she must sell her goods abroad. In the seventees of the last century, when a batch of students went to England for higher studies, Professor Marshall twitted some of the Indian students of economics, and asked why, like the Japanese, they would not study industries but unlike them, they always went in for law and the I. C. S. examinations. Incidentally, he welcomed the advent of the Indian students to England where they would imbibe the English culture and habits of life and would, on return, popularise the use of English articles. That was necessary, he said, because England had only iron and coal and if there were no foreign trade she "must eat coal and drink iron". The position of England continues almost the same to-day in spite of the lapse of 60 years since Professor Marshall spoke. It is, therefore, in the interests of England to preserve and perpetuate the economic conquest of this country. Nor is England the only country that exploits India. To-day, we are ruled in the domain of commerce by Italy, Japan, Germany, America, and even Holland and Belgium. The first four countries

have a percentage of 0.5 to 4 of the Shipping in respect of India's oversea trade and they all bring their own keel ballast in their shipping in the shape of commodities and dump them on India. How else should we get Italian marble and Japanese rice and Canadian wheat and German machinery at the cheap rates that rule to-day? From Belgium, we get what is called VANAS PATHI ghee. It is vegetable fat or ghee, as it is called, which is being largely imported into India and is being used to adulterate our ghee very badly. Our representatives in the Council of State moved heaven and earth in order to get this "ghee" coloured so that its admixture with pure animal ghee might be detected. But Mr. Corbett, I. C. S. the then Secretary to the Commerce department at Delhi, is reported to have remarked that such a step would cost, the Commerce member, the Viceroy and himself their jobs. What a strange apprehension! Yet it is true, for the moment that Belgium "ghee" is coloured, that moment trade in it suffers and Belgium will take steps against England in respect of the milk, and milk products and diary products which England imports from Belgium. Moreover, most foreign countries deal with India through British firms and a curtailment of the privileges of these Nations

would have its repurcussion on British interests. It is thus that India is ruled by Belgium no less than England and only when she is a free nation may she hope to negotiate with the foreign nations on terms of equality. There need be little doubt then that India is administered in the interests of England. At any rate, the Commercial and Industrial policy of England in India is directed solely from this view point. At one time, there was a veil drawn over the policy but now it is nakedly and unabashedly exposed to public vision.

The first step, therefore, in Indian Renaissance and the recovery of Indian Nationalism is to recover national integrity in Trade and Commerce and the economic position of the Country and to throw off the serfdom of India to England in point of the daily needs of the people. Every rupee that we spend upon a foreign article feeds ten souls abroad and starves twenty at home. It is unimaginable that there should be any unemployment in India if the Indian people made a point of using only Indian made articles preferably village-made and hand-made ones. When our carpets take the place of the fashionable sofas and chairs, when hand-pounded rice replaces its milled rival, when brown jaggery supersedes white sugar, when wheat is hand-ground and

oil is chakky made, when we wear the village shoes of the cobbler and put on hand-spun hand-woven clothing, when the village smith makes the razors and the scissors that the barber needs, and the knives that the students use, when the dhoby eschews bleaching powder, when the Carpenter's hammer, and chisel, planer and saw are home-made, when the goldsmith draws his thread and sheet of gold once again as his forbears did, when the motor tyres do not replace the wooden wheels of the village cart, when we abandon the jars that have superseded the potter's pots, then will there be no unemployment in India and not till then. People may deride such a programme as revivalism, but the revolution that a section contemplates, though suppositiously equally effective, is perhaps a little more remote than the former. Here we have a scheme tried and found successful but deliberately destroyed by the onslaughts of a foreign invasion. There you have the fruits of a revolution which cannot be brought about by a mere shuffling as in a Kaleidascope of the social conditions of the day; and during the long interval that must necessarily intervene, people cannot be left to starve being asked to flourish on the doubtful problem of a distant realization of hopes and plans however scientifically they may have been conceived. Even in the West, where

machinery reigns supreme, it is found that it has had its day. Nations are fast tending to become self-contained, and a self-contained nation cannot concentrate its production in the hands of a few capitalists fattening themselves at the expense of the many poor consumers. In a self-contained nation, the tendency inevitably would be to make as many factors and fragments thereof as possible self-contained equally, and that is what India wants to do to-day; that in fact is what India was till yesterday and what India must be to-morrow. To this end, she must reorganize her economic conditions and must, therefore, study the manner and the method by which she lost her economic integrity and has become a slave of a conquering nation in a field least suspected by the public and less talked about by the politicians. Let, therefore, an Englishman tell us the plain truth, as Sir Joynson Hicks, (after-wards, Lord Bentford,) Secretary of State for Home in England told, a short while before his death in the striking words that "they had sometimes heard it said at Missionary meetings that they, the Englishmen, had gone to India to civilise the country but the real truth was that there was no such nonsense about it; they had gone to India to sell their goods in the Indian markets and must remain there to do the same." This is the bone of contention

between India and England, for without India England ceases to be an Empire and will cease to be a first rate power in Europe, yet, will cease to live for want of the wherewithal with which to buy her food and her raw material. The issue, therefore, before the Indians to-day is whether they shall consent to be hewers of wood and drawers of water in order to perpetuate British Imperialism or face the perils of a national struggle in order to achieve complete Independence or Poorna Swaraj for India.

APPENDIX A.

The Indo-British Trade Agreement, 1936.

The text of the agreement signed yesterday, in London by Sir Walter Runciman, on behalf of His Majesty's Government, in the United Kingdom, and Sir B. N. Mitra, on behalf of the Government of India, provides INTER ALIA that when the question of the grant of substantial protection to Indian Industry is referred for inquiry to the Tariff Board, the Government of India will afford full opportunity to any industry concerned in the United Kingdom to state its case and answer cases presented by other interested parties.

The Government of India further undertake that, in the event of any radical changes in the conditions affecting the protected industries during the currency of the period of protection, they will, on the request of His Majesty's Government, or on their own motion, cause an enquiry to be made as to the appropriateness of the existing duties from the point of view of the principles laid down in Article III and that, in the course of such an enquiry, full consideration will be given to any

representations which may be put forward by any interested industry in the United Kingdom.

Text of Agreement.

New Delhi, January 10, 1935.

The following is the Text of the Agreement signed yesterday in London by Sir Walter Runciman, on behalf of His Majesty's Government in the United Kingdom, and Sir B. N. Mitra, on behalf of the Government of India, as a supplement to the Ottawa Trade Agreement.

Preamble.

His Majesty's Government in the United Kingdom and the Government of India hereby agree that, during the continuance of the Ottawa Trade Agreement, the following undertakings on the part of His Majesty's Government in the United Kingdom and of the Government of India shall be deemed to be supplementary to that Agreement namely:

Article 1: It is recognised by His Majesty's Government in the United Kingdom and the Government of India that, while protection to Indian industry against imports of whatever origin may be necessary in the interests of the economic well-being of India,

conditions within the industries in India in the United Kingdom and in the foreign countries may be such that Indian industry requires a higher level of protection against foreign goods than against the imports of United Kingdom origin.

Article 2: It is recognised by His Majesty's Government in the United Kingdom that, under the existing conditions, the import duties constitute an indispensable element in the revenues of the Government of India, and that revenue consideration must be given due weight in fixing the levels of the import duties.

Principles of Protection.

Article 3: The Government of India undertake that protection be afforded to such industries only as, after due enquiries by the Tariff Board, have, in the opinion of the Government of India, established claims thereto, in accordance with the policy of discriminating protection laid down in the resolution adopted by the Legislative Assembly on February 16, 1923, provided that this undertaking shall not apply to the safeguarding of the industries under the Safeguarding Act of 1933.

2. The Government of India further undertake that the measure of protection to be afforded shall only be so much as and no more

than will equate the prices of the imported goods to fair selling price for similar goods produced in India and that, wherever possible, having regard to provisions of this Article, lower rates of duty will be imposed on goods of United Kingdom origin.

3. Differential margins of duty established in accordance with the principles laid down in the preceding clauses of this Article as between the United Kingdom goods on the one hand and foreign goods on the other, shall not be altered to the detriment of the United Kingdom goods.

4. Undertakings contained in this Article shall not prejudice the right of the Government of India, in such cases in which they find is essential in the interests of revenue, to impose an overriding revenue duty on the imported goods higher than the protective duty required.

Intermediate Enquiry.

Article 4: When the question of the grant of substantial protection to the Indian Industry is referred for enquiry to the Tariff Board, the Government of India will afford full opportunity to any industry concerned in the United Kingdom to state its case and answer cases presented by other interested parties.

The Government of India further undertake that in the event of any radical changes in the conditions affecting the protected industries during the currency of the period of protection, they will, on the request of His Majesty's Government or of their own motion, cause an enquiry to be made as to the appropriateness of the existing duties from the point of view of the principles laid down in Article 3, and that, in the course of such enquiry, full consideration will be given to any representation which may be put forward by any interested industry in the United Kingdom.

Article 5: His Majesty's Government in the United Kingdom will give consideration to the steps that might be taken in co-operation with the respective commercial interests to develop the import from India of raw or semimanufactured materials used in the manufacture of the articles of such class on which importation into India are subject to the differential protective duties. In particular, they invite the Government of India to take note of the steps that have already been taken in the United Kingdom in pursuance of Article 8, of the Ottawa Agreement, with a view to widening the area of the consumption of the Indian cotton, and they undertake to continue the use of all possible efforts in co-operation with the

commercial interests to stimulate the consumption of Indian cotton in all possible ways, including technical research, commercial investigation, market liaison and industrial propaganda.

Article 6: His Majesty's Government in the United Kingdom undertake that, in accordance with the principles of the foregoing article, the privilege of duty-free entry of Indian pig-iron into the United Kingdom will be continued so long as the duties applicable to the Atricle on Iron and Steel imported into India are not less favourable to the United Kingdom than those provided for in the Iron and Steel Protection Act of 1934, without prejudice, however, to the provisions in Sub-section 3 (4) and 3 (5) of the Indian Tariff Act 1894 as amended by Section 2 of the Iron and Steel Duties Act of 1934.

Article 7: His Majesty's Government in the United Kingdom and the Government of India undertake that, in all matters relating to this Agreement, they shall, at all times, receive and consider any conclusions, agreements or reports which may be framed as a result of the conferences between the accredited representatives of the industries concerned in the United Kingdom and in India.

Mody-Lees Agreement.

As an annexure to the supplement to the Ottawa Trade Agreement, the Notes that were exchanged between Sir Walter Runciman, President of the Board of Trade in England, and Sir B. N. Mitra, High Commissioner for India in London, are published.

The first Note from Sir Walter Runciman says :—

"Sir, I am authorised to undertake on behalf of H. M.'s Government in the United Kingdom, that, if at any time, any further or other special steps are taken by the Colonies and Protectorates to facilitate the sale of United Kingdom cotton goods in competition with foreign cotton goods, they will invite the Governments of the Colonies and protectorates to accord as favourable a treatment to Indian cotton goods of any description, as may be proposed for similar United Kingdom cotton goods. The above undertaking shall remain in force so long as the Agreement of October 28, 1933, between the Lancashire Delegation and the Mill-owner's Association, Bombay, or any subsequent agreement which may be concluded between the cotton textile industries of the two countries remain in force."

Replying to Sir Walter Runciman's Note, Sir B. N. Mitra says :—

"I have the honour to acknowledge receipt of your letter number 1 of to-day's date. I am authorised to undertake, on behalf of the Government of India, that, as soon as the second sur-charge comes off as a general measure, the tariff rates on the United Kingdom cotton piecegoods will be reduced to 20 per cent ADVALOREM or three and a half annas per pound on plain grey goods, and 20 per cent ADVALOREM on other goods, provided that, on the expiry of the period of the Agreement of October 28, 1933, between the Lancashire Delegation and Mill-owner's Association, Bombay, duties on United Kingdom goods for the remaining period of protection will be fixed on a review of the conditions then existing, and in the light of such experience as may have been gained. By reference to the second surcharge coming off as a general measure is meant the removal of the surcharge on a reasonably large proportion of, not necessarily all, items now subject to it.

(Sd.) B. N. Mitra.

Acknowledging Sir B. N. Mitra's letter, Sir Walter Runciman says :—

"I have the honour to acknowledge receipt of your letter No. 2 of to-day's date.—

(Sd.) Runciman."

APPENDIX B.

Persia's safeguards against foreign exploitation.

Extract from the Imperial Bank of Persia's letter dated 5th October 1930.

The difficulty in obtaining remittances is due only in a small measure to the necessity of obtaining, from the Exchange Control Commission, in certain cases, authority to purchase exchange for items which do not figure thereon. This authority is only required for the items mentioned in the attached list, and there are no restrictions on the purchase of exchange for items which do *not* figure thereon, and which form the greater part of the country's imports.

The difficulty lies in the fact that the supply of foreign exchange on the market is from various causes, quite inadequate to meet the demand and the Banks are only sellers to the extent to which they are able to obtain cover. The functions of Exchange Control Commission consist chiefly in the examination of applications received for the purchase of foreign exchange for the imports of goods on the aforesaid

list, and it is in no way concerned with the provision of the actual foreign exchange.

The alternative methods of obtaining reimbursement are as follows:—

A. Engagements entered into before 1st March, 1930, date of the Exchange Law.

B. Engagements entered into after 1st March, 1930 but the Merchandise relative to which is, either still in the Persian Customs House, still enroute to Persia, or not yet shipped.

C. Engagements entered into after 1st March 1930, but the Merchandise relative to which has already entered the country.

In the case of A.

Application may be made to the Exchange Control Commission in Teheran for permission to export from Persia, to the extent of the Claim:

1. Any merchandise other than Carpets, Opium and Gum tragacanth.
2. Silver coin, after it has been defaced.

In the case of B.

1. Exporters of Merchandise from this country are under an obligation to sell to

the Banks 40% only of the foreign exchange derived from the export, providing they import merchandise not figuring on the list for which permission is required, to the extent of 50%.

The authority of the Control Commission is not required for this; the only formality is the completion of a questionnaire at the Customs, and increased by 10% (to cover charges).

Note:—

There exist certain categories of merchandise where no obligation to sell exchange to the Banks exists providing merchandise to the extent of 90% is imported in exchange. Of this 90%, a proportion of not more than 20% may be for merchandise appearing on the list attached. The above mentioned categories of merchandise are however small and do not comprise more than approximately 10% of the exchange producing exports of the country.

2. With the permission of the Control Commission, silver coin may be exported, after defacement, and there is no obligation to sell any of the foreign exchange derived from the export providing merchandise to the extent of 90% is imported in exchange. Of this

90% a proportion of not more than 45% may be for merchandise appearing on the list attached. The value of silver exported will not be increased by the 10% mentioned in the case of section 1 above.

In the case of C

There exists no practicable method of reimbursement at present, but the question is under discussion and we hope to advise you further in the near future.

In regard to the export of silver, it should be realised that the present official exchange rate of Krans 60/- per £ 1/- Sterling, bears no relation to the actual metallic value of the silver content of the Kran. At the present market price of silver an export of somewhat over Krans 100/- would be necessary in order to secure £ 1/- sterling.

List of Merchandise for the payment of which, the purchase of foreign exchange must be authorised by the Control Commission.

Animals of every kind.
Wood of every kind, including fire wood.
Alcoholic drink, except medical wines.
Coal and Charcoal.

Fresh and salt butter, with the exception of preserved butter in small tins.

Rice.

Wheat, Barley, Oats and all other alimentary cereals.

Comestible flours. Bread, Fruit, fresh and dried.

Fresh milk including curdled milk. Fresh vegetables.

Clothing, garments, and toilet objects of every kind.

Musical instruments and their separate parts.

Raw cotton, silk cocoons, raw and floss silk and waste silk.

Rugs and carpets of every kind.

Lace work and lace of every kind.

Embroidery, and embroidered textures, including spangled tissues or tissues furnished with fancy designs.

Tissue of artificial or pure natural silk of every kind.

Photographic and Cinematographic apparatus and their accessories.

Raw tissue and of silk waste.

Games and toys other than instructive ones.

Imitation jewellery. Playing cards.

Furniture of every kind with the exception of ordinary lamps.

Jewellery and work in precious metals.

Objects of Art and of collections.

Perfumery of every kind.

Raw skins dried or salted, and skins prepared for furs.

Stones of every kind including precious stones and pearls.

Crockery and porcelain of every kind.

Perfumed soaps.

Glass and mirrors of every description.

All objects in glass or in crystal with cranments.

Carriages and vehicles of every description.

Extract from Imperial Bank of Persia's letter dated 7th October 1930.

In reference to the remarks on page 2 of the above letter, the Contròl Commission have decided that if proof is submitted to them that goods ordered after 1st March 1930, have actually entered this country between that date and 22nd July 1930 they will consider such imports fulfilling the obligation to import merchandise to the extent of 50% of the exchange derived from exports (see Sec. B (1)

page 2, of our letter of 5th, October 1930) providing such exports do not consist of carpets, opium or gum tragacanth.

The Control Commission will also consider such imports as fulfilling the obligation to import merchandise to the extent of 90% of the exchange derived from an export of silver. (See Sec. B (2) page 2 of our letter of 5th October 1930).

The foregoing, therefore, constitutes a means of obtaining reimbursement of the cost of merchandise ordered after 1st March 1930 and which entered Persia before the 22nd July 1930. (See Sec. C. on page 2 of our letter of 5th October 1930).

The date of 22nd July is given as this date on which the export Regulations detailed under Sec. B on page 2 of our letter of 5th October 1930, came into force. Imports entering the country after 22nd July 1930 may, therefore, be taken as coming within the said regulations.

APPENDIX C.

BIG BUSINESS IN THE HOUSE OF LORDS.

(Figures for 1928.)

Interests.	Number of Directors.	Representing number of Companies.	Number representing Chairmen Governors or Deputy Chairmen.	Remarks.
1. Agricultural Companies.	7	6	...	
2. Banking	93	44	14	One Bank had 9 directors. Others 5. Others 3.
3. Brewing and Distilling ...	30	22	12	
4. Cement building materials etc.	9	5	...	
5. Canals	9	5	...	

Interests.	Number of Directors.	Representing number of Companies.	Number representing Chairmen Governors or Deputy Chairmen.	Remarks.
6. Chemicals	36	30	14	
7. Cotton growing ...	5	3	...	
8. Electric and power ...	26	20	6	
9. Docks	9	9	...	
10. Engineering and Vehicle building	44	38	8	
11. Entertainments ...	10	9	4	
12. Finance	61	44	...	One Company had 5 directors. 4 other Companies had 3 directors each.

13.	Food Companies ...	17	15	6	
14.	Gas Companies ...	6	5	...	
15.	Hotels, Restaurants, etc.	10	10	...	
16.	Insurance	131	68	29	One Company had 10 directors. 2 others had 6 each. One had 5 directors and four had 4 directors each.
17.	Iron, Coal and Steel ...	78	70	37	
18.	Land Companies ...	68	64	...	Out of the 64 Companies 21 were landed estates.
19.	Merchant and Trading Companies ...	8	8	6	
20.	Metals	9	9	5	
21.	Exploration Quarrying, Gold and Diamonds Mining etc. ...	68	58	21	

Interests.	Number of Directors.	Representing number of Companies.	Number representing Chairman Governors or Deputy Chairmen.	Remarks.
22. Motors, Cycles etc. ...	12	12	6	
23. Newspapers etc. ...	19	19	12	
24. Oil	73	73	...	One man holds 45 directorships, namely Viscount Bearstead.
25. Paper making ...	6	6	...	
26. Plantations. (Tea, Rubber etc.)	20	18	9	
27. Railways	67	45	25	29 of these Companies were over-seas ones.

28. Ship building ...	8	8	...	
29. Shipping	72	50	36	One man is a director of 42 Companies, namely Lord Kylsant.
30. Telegraphs, Telephones, Cables etc. ...	22	18	4	
31. Textiles	13	13	4	
32. Tramways, Omnibuses etc.	10	9	5	
33. Trusts	48	41	17	
34. Miscellaneous Companies	72	67	19	

A Reuter's message dated, Lodon July 12, 1937 says,

"The recent proposal to partition Palestine has led the Arabs who are resenting it, to organize an anti-British Boycott from the Mediterranean to the Indian Ocean if the Partition is completed.